Supreme Court, U.S.
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No. 07-202

IN THE

Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

VIACOM, INC.; VIACOM INTERNATIONAL, INC.;
MTV NETWORKS COMPANY,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, provides a variety of remedies for infringement, including injunctive relief, damages and lost profits. It also authorizes courts to award the plaintiff some portion of the infringer's profits attributable to the infringement. The question presented is:

Whether a trademark owner alleging infringement of a registered mark must show willfulness as a precondition to recovering a portion of the infringer's profits attributable to infringement.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner M2 Software, Inc. was a plaintiff-appellant in the court of appeals. Respondents Viacom, Inc., Viacom International Inc. and MTV Networks Company were defendants-appellees in the court of appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, petitioner M2 Software, Inc. states that it has no parent corporation and there is no publicly held company owning 10% or more of petitioner's stock.

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PETITION FOR A WRIT OF CERTIORARI

M2 Software, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-7a) is not reported but is available at 2007 WL 649733. The March 12, 2004, decision of the district court (App., *infra*, 15a-31a) is unreported. The September 7, 2004, decision of the district court (App., *infra*, 8a-14a) is unreported. The Ninth Circuit's earlier decision of January 30, 2002, in this case (App., *infra*, 32a-35a) is unreported, but available at 30 F. App'x 710. The district court's decision of July 27, 2000 (App., *infra*, 36a-59a) is reported at 119 F. Supp. 2d 1061 (C.D. Cal.).

STATEMENT OF JURISDICTION

The court of appeals entered its judgment on February 28, 2007. The petition for rehearing and rehearing en banc was denied on April 26, 2007 (App., *infra*, 60a-61a). On July 17, 2007, Justice Kennedy granted an application to extend the time to file a petition for a writ of certiorari to and including August 14, 2007. App., *infra*, 62a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Relevant provisions of the Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, are set forth in the Appendix, App., *infra*, 63a-92a.

STATEMENT OF THE CASE

This case concerns whether, under the Lanham Act, a trademark owner must always show willfulness to recover a portion of the infringer's profits attributable to infringement. The Fifth, Seventh, and Eleventh Circuits have answered that question in the negative, holding that willfulness is not a prerequisite to the recovery of profits. In the decision below, the Ninth Circuit reached the opposite conclusion, agreeing with the Tenth and D.C. Circuits that a Lanham Act plaintiff cannot recover a defendant's profits from infringement absent proof that infringement was willful.

1. Congress enacted the Lanham Trademark Act of 1946 (the "Lanham Act" or "Act"), 15 U.S.C. § 1051 *et seq.*, to protect the public, promote competition, and prevent unfair competition by "making infringement and piracy" of protected trademarks and other misleading practices "unprofitable." S. Rep. No. 1333, 79th Cong., 2d Sess. 2-3 (1946). Under the Act, a party may register a trademark with the United States Patent and Trademark Office ("PTO") to obtain federal trademark protection. 15 U.S.C. §§ 1051, 1057. Once the trademark is registered, any registrant using the mark in commerce

may bring an infringement action for monetary and injunctive relief against infringing users. See, *e.g.*, 15 U.S.C. §§ 1114(1), 1116. In general, the trademark owner must establish that its trademark is valid, see *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985), and that the alleged infringer's use of the mark "is likely to cause confusion, or to cause mistake, or to deceive," 15 U.S.C. § 1114(1)(a).

a. The Lanham Act establishes distinct causes of action to redress particular types of violations. For example, 15 U.S.C. § 1114(1) creates a cause of action for the unauthorized use of registered trademarks. It contains two categories of infringing uses, one in Subsection (a), and the other in Subsection (b):

> (1) Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with such use which such use is likely to cause confusion, or to cause mistake, or to deceive,

> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C § 1114(1).

Another provision, 15 U.S.C. § 1125(a), creates a cause of action for trademark owners injured by false designations of origin and false representations of fact. And 15 U.S.C. § 1125(c) creates a cause of action for "dilution" of so-called "famous" marks.[1]

b. The Lanham Act authorizes a variety of remedies. Those include injunctive relief, 15 U.S.C. § 1116, as well as recovery of the "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action," all subject "to the principles of equity" and other requirements, 15 U.S.C. § 1117(a). Although Sections 1116 and 1117 set forth in general terms the remedies for most Lanham Act violations, the provisions creating each individual cause of action often condition the availability of specific types of relief on particularized proof such as knowledge or willfulness.

For example, Section 1114(1) establishes special requirements for the recovery of profits or damages for the

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[1] Although the hallmark of traditional trademark infringement is the likelihood of confusion as to source, sponsorship, or affiliation, "dilution" is unique in that it addresses "blurring," "tarnishing," and other uses that tend to lessen the distinctiveness of a famous mark—its capacity uniquely to identify the trademark owner—even absent deception or confusion. See *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003). Such blurring or tarnishing can occur when a famous mark is used for a wholly different line of business, such as "Kodak piano[s]," or "Buick aspirin." See *id.* at 431. Such uses might not raise a possibility of confusion as to source—Kodak makes film and cameras, not pianos; Buick does not make pharmaceuticals. But such uses over time would tend to "dilute" the distinctive capacity of the Kodak or Buick mark to connote solely the Eastman-Kodak company or the Buick division of General Motors. See App., *infra*, 55a-56a.

infringement of registered trademarks in violation of Section 1114(1)(*b*). It provides: "Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed *with knowledge* that such imitation is *intended* to be used to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1) (emphasis added). Section 1114(1), however, does not impose that requirement for claims under Section 1114(1)(*a*).

Similarly, the cause of action for "dilution" under Section 1125(c) imposes an express willfulness requirement as a precondition to monetary relief. In particular, Section 1125(c)(5) specifies that the owner of a famous mark is "entitled to injunctive relief" against dilutive uses, but is not entitled to monetary remedies such as damages or the defendant's profits unless (among other things) "the person against whom the injunction was sought *willfully* intended to trade on * * * the famous mark" or "*willfully* intended to harm the reputation of the famous mark." 15 U.S.C. § 1125(c)(5) (emphasis added).[2]

2. This case arises from a trademark dispute between petitioner M2 Software, Inc. ("M2 Software"), and respondents Viacom, Inc., Viacom International, Inc., and MTV Networks Company. M2 Software was founded in 1991 to apply technology to the music bus-

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[2] Until 2006, those requirements appeared in Section 1125(c)(2), which provided that "the owner of a famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). "If such willful intent is proven, the owner of the famous mark" can also obtain profits and damages, "subject to the discretion of the court and the principles of equity." *Ibid.*

iness. App., *infra*, 38a; C.A. E.R. 175-38.[3] The company has created and licensed, under the "M2" brand, music database applications used by major music companies, related music industry services, and a variety of interactive products conveying musical performances. App., *infra*, 38a-39a; see C.A. E.R. 294-85 to 294-86. Those include M2 Software's Record Label Management System, as well as interactive music applications on various media that were distributed to the music industry, on the Internet, and at concerts. App., *infra*, 33a, 38a-39a, 58a. M2 Software has promoted the "M2" brand and corporate identity through various music industry channels, including trade shows, music industry publications, and direct contacts with major record labels. C.A. E.R. 294-15 to 294-21, 175-63 to 175-69, 175-72 to 175-76, 170-102 to 170-112. Myriad record labels, music publishers, and others in the music industry have utilized M2 Software's M2-branded products or services. C.A. E.R. 294-6 to 294-8. When M2 Software first registered its mark, there were no prior registrations of the M2 mark in any related field. C.A. E.R. 180-21, 180-42. Earlier in this case, the Ninth Circuit thus concluded that M2 Software is the "indisputable senior user of the M2 mark." App., *infra*, 34a.[4]

In August of 1996, respondents Viacom, Inc., Viacom International, Inc., and MTV Networks Company (collectively "Viacom") likewise began using the "M2" symbol in

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[3] References to C.A. E.R. xxx-yy are to the Excerpts of Record filed in the Court of Appeals, where xxx identifies the tab number and yy identifies the page number within the tab.

[4] Because M2 Software's mark is "fanciful," it is "deserving of broad trademark protection." App., *infra*, 47a; see 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:4, at 11-12 (4th ed. 2007) ("Fanciful and arbitrary marks are * * * often referred to as strong and are given a broad scope of judicial protection against infringement.").

the music industry with the launch of their "M2: Music Television" venture. App., *infra*, 40a. There is evidence that Viacom was aware of M2 Software's prior use and registration of the M2 mark before Viacom began using that mark itself, and that Viacom decided against alternative marks (such as "MTV2") not already in use because Viacom executives thought the M2 mark more desirable. C.A. E.R. 162-45 (M2 "sounded hipper and more relevant" than MTV2); see 177-35 ("MTV2 just seemed hard to say."). In 1992, a senior vice-president of Viacom's MTV Networks Group met with the president of M2 Software while participating in a major worldwide music industry trade show, MIDEM in Cannes, France, where M2 Software advertised and had a booth. C.A. E.R. 294-15 to 294-21, 20-3, 20-12, 41-8, 175-63. Viacom also conducted a formal trademark search on June 24, 1996, and located M2 Software's federal trademark registration, which identified M2 Software as the owner of the M2 mark, for use (among other things) with "interactive multimedia applications for entertainment * * * in the nature of artists' performances * * * from the * * * music industr[y]." C.A. E.R. 180-8 to 180-12, 180-31 to 180-32. Nonetheless, on August 1, 1996, Viacom proceeded to launch its "M2: Music Television" venture. C.A. E.R. 17-9 to 17-10. Viacom did not contact M2 Software before incorporating the "M2" trademark into that new venture. *Id.* at 180-12, 17-9 to 17-10.

On February 21, 1997, Viacom approached the PTO with a "design-only" application that it labeled "M & Design"; that application did not mention the word "M2." C.A. E.R. 11-80 to 11-83, 11-106 to 11-110 (Ser. Nos. 75/245, 462, 75/245, 616). The design, however, featured a large, bolded "M2." *Ibid.* In addition, although Viacom did list interactive products on its trademark application in the United Kingdom, it omitted those products from its United States application. Thus, a former Assistant

Commissioner for Trademarks at the PTO criticized Viacom for not disclosing the "true nature" of its proposed uses. C.A. E.R. 178-30 to 178-31, 333-102, 333-106. The PTO suspended Viacom's application when it found a prior application to register the M2 mark, and Viacom abandoned its application. *Id.* at 11-129.[5]

When it learned of Viacom's use of the M2 trademark, M2 Software repeatedly sent Viacom letters demanding that it stop infringing M2 Software's protected mark, but Viacom refused. App., *infra*, 20a n.2, 28a; C.A. E.R. 11-28 to 11-29, 6-12 to 6-14; see *id.* at 6-16, 11-102, 11-129. Viacom's "M2" venture eventually reached approximately 47 million customers. C.A. E.R. 294-91. The venture included, among other things, an interactive product utilizing "Intercast technology" to convey musical performances, which was later discontinued and displaced by Internet technology such as webcasting. App., *infra*, 16a, 35a; C.A. E.R. 176-42 to 176-53, 179-34 to 179-37.

3. On October 28, 1998, M2 Software filed an action against Viacom in the United States District Court for the Central District of California alleging, among other things, that Viacom had appropriated M2 Software's protected trademark in violation of the Lanham Act, and 15 U.S.C. § 1114(1)(a) in particular. App., *infra*, 36a-37a. On July 27, 2000, the district court granted Viacom's motion for summary judgment, holding that there was no likelihood of confusion. *Id.* at 54a-55a.

On January 30, 2002, the Ninth Circuit reversed. App., *infra*, 32a-35a. The Ninth Circuit ruled that M2 Software had a valid trademark registered with the PTO for (among other things) "interactive multimedia applications for entertainment, education and information, in the

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[5] M2 Software challenged that other company's effort to register the M2 mark, and prevailed. *M2 Software, Inc. v. Manmade Multimedia*, Opposition No. 91107522 (TTAB Jan. 5, 1999).

nature of artists' performances * * * from the film and music industries." *Id.* at 33a. The Ninth Circuit held that "M2 Software is the indisputable senior user of the M2 mark" with a "right to enjoin the 'junior' users from using confusingly similar marks in the same industry or market or within the senior user's natural zone of expansion." *Id.* at 34a (some internal quotation marks omitted). "M2 Software," the Ninth Circuit further held, "ha[d] brought forth sufficient evidence that would permit a rational factfinder to find a likelihood of confusion." *Id.* at 34a-35a (internal quotation marks omitted). Accordingly, the court remanded the case for further proceedings.

4. On remand, the district court resolved the case in a pair of orders.

a. First, on March 12, 2004, the district court granted partial summary judgment to Viacom on the issue of monetary relief. App., *infra*, 15a-31a. The district court ruled that M2 Software could not recover damages caused by the infringement because M2 Software had not produced sufficient evidence of an actual injury. *Id.* at 26a. The district court also refused to award M2 Software the alternative remedy of infringement profits in the amount of a reasonable royalty because, in its view, the amount of such royalty was entirely speculative. The court explained that there had been no negotiations between the parties, and there was no evidence that M2 Software was willing to license its mark. *Id.* at 27a.

The district court further refused to award M2 Software any portion of the profits earned by Viacom that were attributable to the infringing use of the M2 trademark. The court stated that, under Ninth Circuit precedent, a plaintiff "is not entitled to an accounting of defendant's profits * * * unless the infringement was willful." App., *infra*, 27a (citing *Gracie* v. *Gracie*, 217

F.3d 1060, 1068 (9th Cir. 2000), and *Lindy Pen Co.* v. *Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir.), cert. denied, 510 U.S. 815 (1993)). Finding insufficient evidence of willfulness or bad faith, the district court held that M2 Software could not seek an award of those profits attributable to the infringing use of its trademark. *Id.* at 28a-29a.

b. Second, on September 7, 2004, the district court entered final judgment by issuing a permanent injunction proposed by Viacom. App., *infra*, 8a-14a. That injunction prohibited Viacom from using the specific marks "M2" or "M2: Music Television" to identify programming services or interactive multimedia products. App., *infra*, 11a. Viacom had proposed that relief in 2004, having earlier changed the formal name of "M2: MUSIC TELEVISION" to "MTV2." App., *infra*, 8a, 9a-10a. The district court ruled that the new "MTV2" name did not infringe. *Id.* at 11a. Accordingly, the district court granted an injunction that prohibited Viacom "from using the specific marks M2 or M2: MUSIC TELEVISION," while excluding certain identified design logos. *Id.* at 11a-12a.

5. On February 28, 2007, the Court of Appeals for the Ninth Circuit affirmed in relevant part and remanded in part. App., *infra*, 1a-7a. The court of appeals first agreed with the district court that M2 Software had not adduced sufficient evidence of actual injury to support an award of damages. *Id.* at 2a-3a.

The Ninth Circuit also held that M2 Software could not recover the profits attributable to the infringement, whether measured as a royalty or otherwise. App., *infra*, 3a-4a. To recover profits, the Ninth Circuit held, a plaintiff must prove that the infringement was willful. *Id.* at 3a. In this case, the Ninth Circuit concluded that M2 Software "did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark." *Ibid.* The court

stated that any meeting between a Viacom vice-president and M2 Software's president at a trade show in 1992 was insufficient because it was too temporally remote. *Id.* at 3a.[6] The Ninth Circuit further held that Viacom's failure to disclose M2 Software's mark when seeking to register its own M2 mark, and other conduct, was insufficient. *Id.* at 3a-4a. Accordingly, the Ninth Circuit did not decide whether Viacom had been unjustly enriched by appropriating M2 Software's protected mark. Instead, it held that, absent proof of "willful infringement, * * * M2 Software is not entitled to an accounting of any Viacom profits from the alleged infringement." *Id.* at 3a-4a. For the same reason, it held that M2 Software's request for "royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails." *Id.* at 4a.

The Ninth Circuit also rejected M2 Software's claim that Congress's 1999 amendments to the Lanham Act—and 15 U.S.C. § 1117 in particular—had "clarified" that there is no across-the-board willfulness prerequisite to an award of infringer's profits under 15 U.S.C. § 1114. (As noted above, see p. 5, *supra*, the cause of action for dilution in Section 1125(c) has always made willfulness a prerequisite to monetary relief for dilution claims. The 1999 amendments simply added parallel language to Section 1117(a) to specify the same thing there as well—*i.e.*, that willfulness is a prerequisite to monetary relief for dilution claims under Section 1125(c). See pp. 23-26, *infra*.) According to the court, any claim that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement" rested on a "shaky assumption." *Id.* at 4a. In any

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[6] Although the Ninth Circuit stated that the meeting occurred six years before the infringement, App., *infra*, 3a, in fact only four years had lapsed. The meeting occurred in 1992, and the infringement began in 1996. See pp. 6-7, *supra*.

event, the court held that any such expansion "would not be retroactive" and thus would not apply to this case. *Id.* at 4a.[7] On April 26, 2007, the Ninth Circuit denied a petition for rehearing and rehearing en banc. *Id.* at 60a.

On July 17, 2007, Justice Kennedy granted M2 Software's application to extend the time to file a petition for a writ of certiorari to and including August 14, 2007. See App., *infra*, 62a.

REASONS FOR GRANTING THE PETITION

Joining the Tenth and D.C. Circuits, the Ninth Circuit in this case held that trademark owners must always prove willful infringement to recover the portion of the infringer's profits attributable to the infringement. That holding squarely conflicts with decisions of the Fifth, Seventh, and Eleventh Circuits, all of which hold that willfulness is not an absolute prerequisite to an award of profits for all Lanham Act violations. That substantial and recurring conflict warrants this Court's review.

I. The Courts Of Appeals Are Divided On Whether Willfulness Is An Across-The-Board Prerequisite To An Award Of An Infringer's Profits

The Lanham Act provides private causes of action to redress various forms of trademark infringement, including the unauthorized use of registered marks, 15 U.S.C. § 1114, the use of false or misleading "designations of origin" and advertising, 15 U.S.C. § 1125(a), "dilution" of "famous" marks, 15 U.S.C. § 1125(c), and

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[7] With respect to the permanent injunction, the Ninth Circuit affirmed in most respects. App., *infra*, 5a-6a. The Ninth Circuit, however, found an ambiguity in the injunction because it purported to enjoin use of M2: MUSIC TELEVISION while, at the same time, including M2: MUSIC TELEVISION in a list of "various logos" the judgment did not preclude Viacom from using. *Id.* at 6a. Accordingly, the court vacated the district court order granting injunctive relief. *Id.* at 6a-7a.

even "cyberpiracy," 15 U.S.C. § 1125(d). The Act also authorizes a variety of remedies. Prevailing plaintiffs may be granted injunctive relief, 15 U.S.C. § 1116, as well as monetary relief, such as "(1) defendant's profits, (2) any damages sustained by plaintiff, and (3) the costs of the action," all subject to (among other things) "principles of equity," 15 U.S.C. § 1117(a). For years, the courts of appeals have been divided on whether courts may award one particular form of monetary relief—a portion of the profits that the infringer derived from the infringement—absent proof that the violation was "willful."

A. The Fifth, Seventh, and Eleventh Circuits have held that willfulness is not an absolute prerequisite to the disgorgement of profits. See *Quick Techs., Inc.* v. *Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) (reaffirming a factor-based approach rather than a bright-line willfulness requirement); *Burger King Corp.* v. *Mason*, 855 F.2d 779, 783 (11th Cir. 1988) (holding that "no hard and fast rules dictate the form or quantum of relief" for monetary awards under 15 U.S.C. § 1114(1)); *Sands, Taylor & Wood* v. *Quaker Oats Co.*, 34 F.3d 1340, 1349 (7th Cir. 1994) ("*Sands II*") (holding that "[o]ther than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer wilfully infringe * * * to justify an award of profits"); see also *Banjo Buddies, Inc.* v. *Renosky*, 399 F.3d 168, 174-75 (3d Cir. 2005) (holding that willfulness is not a general prerequisite for profit awards).[5]

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[5] Accord *Optimum Techs.* v. *Home Depot U.S.A., Inc.*, 217 F. App'x 899, 902 (11th Cir. 2007) (confirming that willfulness is one of three reasons why the court could grant an accounting of profits); *Seatrax, Inc.* v. *Sonbeck Int'l, Inc.*, 200 F.3d 358, 372 n.9 (5th Cir. 2000) (similar); *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir.

Those courts have reasoned that the text of the Lanham Act does not by its terms make willfulness an across-the-board prerequisite to awarding a portion of the defendant's profits. In *Sands II*, for example, the Seventh Circuit reviewed the statutory text and concluded that the Act contains "no express requirement" of willfulness for claims (like this one) under 15 U.S.C. § 1114(1). 34 F.3d at 1349. The plaintiff in that case had filed suit for unauthorized use of a registered trademark. *Id.* at 1342. Addressing the plaintiff's claim for the portion of the defendant's profits attributable to the infringement, the Seventh Circuit noted that the Lanham Act imposed certain limits on monetary recoveries, making them "subject only to principles of equity," to the limitations in each specific cause of action, and to the rule that any recovery above actual damages must "be compensatory in nature and not punitive." *Id.* at 1346-47. "Other than general equitable considerations," the court thus observed, "there is no express requirement that * * * the infringer wilfully infringe the trade dress to justify an award of profits." *Id.* at 1349 (quoting *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990)).

Indeed, where Congress wished to make willfulness a prerequisite to monetary awards, it did so expressly. For example, 15 U.S.C. § 1125(c), which creates a cause of action for "dilution," declares that the owners of famous marks can be granted only injunctive relief unless "the person against whom the injunction is sought *willfully intended* to trade on the reputation of the famous mark" or "*willfully intended* to harm the" mark's "reputation." 15 U.S.C. § 1125(c)(5) (emphasis added). Until 2006, that requirement appeared in Section 1125(c)(2), which stated

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1989) (holding that there is no express requirement of willfulness to justify an award of profits), cert. denied, 493 U.S. 1075 (1990).

that "the owner of the famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). "*If such willful intent is proven*," the statute continued, the owner of the famous mark can also obtain profits and damages, "subject to the discretion of the court and the principles of equity." *Ibid.* (emphasis added).

The fact that Congress provided a specific, textual requirement of willfulness for an award of profits and damages for dilution under Section 1125(c), but did not include a willfulness requirement for other violations or forms of monetary relief under other provisions, speaks volumes about its intent. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello* v. *United States*, 464 U.S. 16, 23 (1983). See *Banjo Buddies, Inc.*, 399 F.3d at 174-75 (applying *Russello* to the language of Section 1117(a) to conclude that willfulness is a prerequisite for dilution claims under Section 1125(c), but not other claims).

In addition, the Seventh Circuit's decision in *Sands II* observed that profits are awarded "under different rationales, including unjust enrichment, deterrence, and compensation." 34 F.3d at 1349 (quoting *Roulo*, 886 F.2d at 941) (emphasis omitted). Thus, "many of the remedies available under the Lanham Act 'flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence.'" *Ibid.* (quoting *Web Printing Controls Co.* v. *Oxy-Dry Corp.*, 906 F.2d 1202, 1205 (7th Cir. 1990)). Those principles—of avoiding unjust enrichment and making "violations of the Lanham Act unprofitable to

the infringing party," *id.* at 1349—do not justify an across-the-board requirement that the infringement be willful. The "principles of equity" referred to in the Act, the Seventh Circuit has further stated, "do not * * * justify withholding all monetary relief from the victim of a trademark infringement merely because the infringement was innocent." *Louis Vuitton S.A.* v. *Lee*, 875 F.2d 584, 588-89 (7th Cir. 1989).

> As between the "innocent" infringer who seeks to get off scot-free, and the innocent infringed who has neither engaged in any inequitable conduct nor sought treble damages or treble profits (or indeed any part of the defendant's profits that is attributable to the defendant's superior efficiency rather than to the plaintiff's trademark), the stronger equity is with the innocent infringed.

Id. at 589. Given the difficulty of proving actual damages in many trademark cases, it is particularly inappropriate to impose extra-statutory prerequisites to alternative recoveries, such as the profits attributable to infringement or a royalty representing some portion of the profits.

B. Nonetheless, the Ninth, Tenth, and D.C. Circuits have held that plaintiffs seeking any disgorgement of profits attributable to the infringement must prove that the infringement was willful. See *Bishop* v. *Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (holding that "an award of profits requires a showing that defendant's actions were willful or in bad faith"); *Western Diversified Servs., Inc.* v. *Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) ("[W]e require a showing that Defendant's actions were willful to support an award of profits * * * ."); *ALPO Petfoods, Inc.* v. *Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) ("An award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith."); *Lindy Pen Co.* v. *Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir.

1993) (holding that a plaintiff may recover a portion of the defendant's profits only if the infringement was willful, which "carries a connotation of deliberate intent to deceive"); *Kassbaum* v. *Steppenwolf Prods., Inc.*, 236 F.3d 487, 492 (9th Cir. 2000) (holding that, while "[a]ctual consumer confusion is not required for profit recovery," the plaintiff must show "a likelihood of confusion combined with willful infringement").

In this case, the Ninth Circuit applied that rule to bar M2 Software from recovering any portion of Viacom's profits, "because [M2 Software] did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark." App., *infra*, 3a (citing *Lindy Pen Co.*, 982 F.2d at 1405). And, based on the same willfulness prerequisite, the Ninth Circuit held that M2 Software's alternative request for "royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails." *Id.* at 4a. Viacom thus was permitted to retain any profits obtained as a result of its infringement; Viacom was not required to pay any royalty for the use of M2 Software's protected mark; and M2 Software was required to endure eight years of litigation to protect its mark against a much larger and better funded opponent for nothing more than forward-looking injunctive relief.[9]

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[9] The Ninth Circuit suggested that M2 Software's alternative request for a reasonable royalty as a measure of Viacom's unjust enrichment would be unduly speculative given the absence of royalty negotiations between the parties. App., *infra*, 4a. But the Ninth Circuit ignored the fact that it is the infringer—who has access to the relevant data—that has the burden of apportioning profits. *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 206-07 (1942). And it disregarded precedent from other courts recognizing that, given difficulties of proof, a "reasonable royalty" may "more accurately reflect both the extent of [the infringer's] unjust enrichment and the interest of [the trademark owner] that

C. Like the courts of appeals, the district courts are in disarray. Even neighboring district courts have reached utterly irreconcilable results. Compare *Nike, Inc.* v. *Top Brand Co.*, No. 00 Civ. 8179 KMW RLE, 2005 WL 1654859, at *10 (S.D.N.Y. July 13, 2005) (holding that "the plain language of the statute indicates that willfulness is a prerequisite only when recovery of profits is sought for a violation of section 1125(c)"), with *Pfizer, Inc.* v. *Y2K Shipping & Trading, Inc.*, No. 00 CV 5304 (SJ), 2004 WL 896952, at *9 (E.D.N.Y. Mar. 26, 2004) (holding that defendant's willfulness is a prerequisite for awarding profits). In district after district across the country, courts repeatedly confront this issue and repeatedly apply conflicting rules.[10]

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has been infringed." See *Sands, Taylor & Wood Co.* v. *Quaker Oats Co.*, 978 F.2d 947, 961 (7th Cir. 1992) ("*Sands I*"); *id.* at 964 (Fairchild, J., dissenting on other grounds) (royalty calculation can be used to decide question of "[w]hat portion of [the infringer's] profit resulted from its use of [the registrant's trademark], and therefore constituted unjust enrichment").

[10] Myriad cases have applied the Fifth, Seventh, and Eleventh Circuits' rule that, except for dilution claims under 15 U.S.C. § 1125(c), willfulness is not a prerequisite to awarding some portion of the infringer's profits. See, *e.g.*, *Optimum Techs., Inc.* v. *Henkel Consumer Adhesives, Inc.*, No. 1:04-CV-1082-TWT, 2006 WL 1663357, at *6 (N.D. Ga. June 14, 2006) ("Although a showing of willful infringement or bad faith is grounds for recovering profits, such a showing of culpability is not a prerequisite to recovery * * *."); *ISP.NET.LLC* v. *Qwest Commc'ns Int'l Inc.*, No. IP01-0480-CBS, 2004 WL 2272145, at *6 (S.D. Ind. Sept. 24, 2004) ("tak[ing] willfulness into consideration when deciding whether monetary relief in the form of an accounting of profits is appropriate but" declining to "condition an award upon such a finding"); *A Touch of Class Jewelry Co.* v. *J.C. Penney Co.*, No. CIV. A. 98-2949, 2000 WL 1224804, at *5 (E.D. La. Aug. 28, 2000) (willfulness is not required for an accounting of profits). Myriad district courts likewise apply the opposite rule. *Collegenet, Inc.* v. *XAP Corp.*, 483 F. Supp. 2d 1058, 1065 (D. Ore. 2007) (stating that plaintiff must

Confronted with that disarray, scholars and the courts alike have expressly recognized both the division in circuit authority and the resulting need for this Court's review. "There is an established split in the circuits regarding the type of proof necessary to obtain an accounting of the defendant's profits." D. Long, *Unfair Competition and the Lanham Act*, § 7.11.3.3 (1993). "On the key issue of scienter, a clear split has developed among the Circuits * * * ." J. Koelemay, *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark Rep. 263, 263 (1995); *Western Diversified Servs.*, 427 F.3d at 1273 & n.1 (acknowledging that, while the Tenth Circuit requires "a showing that Defendant's actions were willful to support an award of profits," that "standard is not universally applied among the circuit courts"); see also D. Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 864 (2002) ("[N]early five decades of circuit court and district court decisions have resulted in a schizophrenic view of the remedy of an accounting of profits and the nefarious bad faith requirement"); E. Luciani, *Does the Bad Faith Requirement In Accounting of Profits Damages Make Economic Sense?*, 6 J. Intell. Prop. L. 69, 78-82 (1998); K. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding*

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establish "willful misconduct" to recover profits); *Cache la Poudre Feeds, LLC* v. *Land O' Lakes, Inc.*, 438 F. Supp. 2d 1288, 1291 (D. Colo. 2006) (citing Tenth Circuit precedent that "require[s] a showing that Defendant['s] actions were willful to support an award of profits"); *Blau* v. *YMI Jeanswear, Inc.*, No. CV 02-09551 FMC (SHSx), 2004 WL 5313967, at *6 (C.D. Cal. Jan. 2, 2004) (Plaintiffs may recover defendants' profits only when infringement is "willfully calculated to exploit the advantage of an established mark.") (quoting *Lindy Pen Co.*, 982 F.2d at 1405).

of Bad Faith, 87 Trademark Rep. 271, 298 (1997) ("[T]he Supreme Court should review the question of whether the Lanham Act requires proof of bad faith in order for a trademark owner to recover any portion of an infringer's profits."); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:62, at 30-142 to 30-143 (4th ed. 2007) (noting that, by 2005, "a split of authority developed such that while most circuits required some showing of willfulness" others "held that while relevant, willfulness was not essential or indispensable to a recovery of profits"). The Court should grant the petition and restore uniformity to this area of law.

II. The Ninth Circuit's Willfulness Prerequisite Contravenes The Act's Text, Structure, And History

Requiring the plaintiff to prove willful infringement as a prerequisite to any award of profits—even part of the marginal portion of profits the defendant earned as a result of the infringing conduct—cannot be reconciled with the Lanham Act's text, history, or purpose.

A. Throughout the Lanham Act, Congress explicitly identified the circumstances under which it intended to require willfulness as a prerequisite to relief. As noted above, 15 U.S.C. § 1125(c)—which provides the cause of action for "dilution," see pp. 14-15, *supra*—establishes a specific willfulness requirement, but only for dilution claims. It states that, for dilution claims under Section 1125(c), monetary relief is not available unless "the person against whom the injunction is sought *willfully intended* to trade on the reputation of the famous mark" or "*willfully intended* to harm the" mark's "reputation." 15 U.S.C. § 1125(c)(5) (emphasis added). That requirement has existed for dilution claims under Section 1125(c) since Section 1125(c) was enacted. See pp. 5 & n.2, 14-15, *supra* (noting that, before the most recent amendments in 2006, Section 1125(c)(2) provided that "the owner of

the famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution," and further provided that, "[i]f * * * *willful* intent is proven, the owner of the famous mark" can obtain damages and the infringer's profits "subject to the discretion of the court and the principles of equity") (emphasis added)). That Congress included specific language requiring willfulness as a precondition to profit awards for violations of Section 1125(c), but not for other violations, quite clearly shows that Congress intended willfulness to be a precondition to profit awards under Section 1125(c), but not elsewhere. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan* v. *Walker*, 533 U.S. 167, 173 (2001) (quoting *Russello*, 464 U.S. at 23).

2. Likewise, any effort to impose a general "willfulness" or "bad-faith" prerequisite to profit awards is at odds with the carefully crafted mental-state and culpability requirements contained in 15 U.S.C. § 1114(1). Broadly speaking, Subsection (a) of Section 1114(1) prohibits anyone from "us[ing]" infringing marks "in commerce," while Subsection (b) prohibits the unauthorized reproduction and application of infringing marks. Critically, the Act specifies that trademark registrants cannot recover profits for violations of Section 1114(1)(*b*) unless "the acts have been committed *with knowledge* that such imitation *is intended to be used* to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1) (emphasis added). The Act, however, does *not* impose that

requirement for violations of Section 1114(1)(*a*).[11] Superimposing a judicially crafted requirement of willful infringement—which likewise "carries a connotation of deliberate intent to deceive," *Lindy Pen Co.*, 982 F.2d at 1406—on top of both Section 1114(1)(a) and 1114(1)(b) supersedes Congress's decision to treat violations of each differently, and countermands a deliberate legislative choice to impose a more demanding standard of knowledge or intent for profits awards under the latter but not the former.

Other provisions of the Lanham Act likewise delineate the precise mental state or degree of culpability required for particular types of monetary relief.[12] Simply

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[11] The more demanding standard applied to requests for monetary relief for violations of Section 1114(1)(b) reflects an important difference between violations of that provision and violations of Section 1114(1)(a). Because violations of Subsection (a) involve the "use in commerce" of unlawfully reproduced marks, 15 U.S.C. § 1114(1)(a), they are relatively more likely to result in unjust enrichment. By contrast, violations of Subsection (b) may involve nothing more than the unauthorized reproduction and application of protected marks, 15 U.S.C. § 1114(1)(b), which is less likely to unjustly enrich the defendant at the trademark owner's expense.

[12] For example, 15 U.S.C. § 1111 provides that, where the registrant fails to provide notice of its registration, "no profits and no damages shall be recovered * * * unless the defendant had actual notice of the registration." Section 1111's prohibition on profit awards absent actual notice of registration would be superfluous if willfulness were an independent and universal prerequisite for all profit awards. (Here, Section 1111's requirements were doubly met: M2 Software utilized the registration symbol, and Viacom admitted actual notice prior to launch. C.A. E.R. 11-22, 27-29, 176-9, 180-8 to 180-12, 180-31 to 180-32.) Similarly, Section 1114(2) creates an elaborate set of "innocent infringer" defenses for certain categories of defendants. Section 1114(2)(A) provides such a defense where the innocent infringer is "solely in the business of printing the mark or violating matter for others"; if the defense is established, the plaintiff asserting a violation of Section 1114(1)(a) is limited to injunctive relief. 15

put, Congress has carefully articulated the precise standards that govern the availability of particular remedies—whether willful infringement as in Section 1125(c)(5), see pp. 20-21, *supra*; knowing intent to deceive as in Section 1114(1)(b), see pp. 21-22, *supra*; or notice of registration as in Section 1111, see p. 22 n.12, *supra*. As a result, the statutory text cannot tolerate a judicial gloss that supersedes those distinctions with an extratextual willfulness requirement. Cf. *Hughes Aircraft Co.* v. *Jacobson*, 525 U.S. 432, 447 (1999) (court should not supplement a "comprehensive and reticulated statute" with "extratextual remedies").[13]

3. Congress's 1999 amendments to 15 U.S.C. § 1117 confirm that conclusion. While provisions like 15 U.S.C. § 1114(1) and § 1125 create private causes of action for violations of the Lanham Act (and specify particularized requirements for different types of relief), Section 1117 sets forth in general terms the forms of monetary relief available for Lanham Act violations. Before the 1999 amendments, that provision stated in relevant part:

> [W]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, *or a violation of section 1125(a)* [relating to

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U.S.C. § 1114(2)(A). Similarly, 15 U.S.C. § 1114(2)(B) limits plaintiffs to injunctive relief in actions "against the publisher or distributor" of infringing materials where the infringement is "part of paid advertising matter" and the defendant is otherwise "innocent" of wrongdoing.

[13] Ironically, it may have been decisions erroneously applying the specific statutory mental-state and culpability requirements to claims they do not cover, see pp. 21-23 & nn.11-12, *supra*, that caused willfulness to "worm[] its way" into the Lanham Act as a general requirement. See Conway-Jones, *supra*, at 898 n.166; Stolte, *supra*, at 288-89 ("[T]he Ninth Circuit incorrectly applied the scienter requirement for printers and publishers apparently to all trademark infringers. This was simply careless judicial analysis.").

> false designations of origin] of this title, have been established in any action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (1994) (emphasis added).

That pre-1999 version, however, did not mention violations of Section 1125(c), which addresses the "dilution" of "famous" marks. The pre-1999 version of 15 U.S.C. § 1116, which governs injunctive relief, likewise authorized injunctions for violations of Section 1125(a) without mentioning violations of Section 1125(c). Instead, the availability of injunctive and monetary relief for Section 1125(c) dilution claims was addressed in Section 1125(c) itself, which specified that the "owner of the famous mark" asserting a dilution claim "shall be entitled *only* to injunctive relief as set forth in section 1116 of this title *unless* the person against whom the injunction is sought *willfully* intended to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). If the violation was willful, the provision continued, the owner of the famous mark would "also be entitled to the remedies set forth in sections 1117(a) * * * of this title, subject to the discretion of the court and the principles of equity." *Ibid.* Those same conditions—that injunctive relief is available for all dilution violations but that monetary relief is available only for willful dilution—are incorporated in 15 U.S.C. § 1125(c)(5) today. See pp. 5, 14-15, *supra*.

In 1999, Congress amended Sections 1116 and 1117 to mention violations of Section 1125(c) "to clarify that in passing the Dilution Act, Congress *did* intend to allow for injunctive relief and/or damages" consistent with the

standards set forth in Section 1125(c) itself. H.R. Rep. No. 250, 106th Cong., 1st Sess. 6 (1999) (emphasis added); *ibid.* (amendments designed to "avoid any confusion"). Congress thus amended Section 1116 to permit injunctive relief (among other things) "to prevent a violation under subsection (a) *or (c)* of" Section 1125. H.R. Rep. No. 250, *supra*, at 15 (emphasis added). Likewise, Congress amended Section 1117(a) to specify, consistent with the willfulness requirement already in Section 1125(c)(2), that the monetary relief described in Section 1117(a) is available for a violation of Section 1114, a violation of Section 1125(a), *"or a willful violation under section [1125](c)."* H.R. Rep. No. 250, *supra*, at 2 (emphasis added). See generally Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219.[14]

Thus, Section 1117 now authorizes profits, damages, and costs for violations of Section 1114, for "a violation under section 1125(a) or (d) * * *, *or a willful violation under section 1125(c)* * * * subject to the provisions of sections 1111 and 1114 * * * and subject to the principles of equity." 15 U.S.C. § 1117(a) (emphasis added). By adding the reference to willful violations under the cause of action created by Section 1125(c), Congress merely restated the pre-existing requirement—already contained in the text of Section 1125(c) itself—that willfulness is a prerequisite to monetary recoveries for dilution. Nonetheless, that amendment usefully juxtaposes those claims for relief in which Congress expressly imposed a willful-

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[14] When Congress amended the Lanham Act by adding new Section 1125(d) to prohibit "cyberpiracy" later in 1999, it amended Section 1117(a) again to specify that monetary relief is available for violations under Section 1125(d) as well. See Consolidated Appropriations Act, Pub. L. No. 106-113, § 3003(a)(2), 113 Stat. 1501 (1999).

ness requirement (those under Section 1125(c)) with the claims for which Congress did not.[15]

4. Finally, imposing a willfulness requirement is inconsistent with the "unjust enrichment" rationale underlying many of the Lanham Act's remedies. *Sands II*, 34 F.3d at 1349. So long as the award of profits is limited to those attributable to the infringement—or a reasonable royalty as a measure of the unjust gain—there can be no concerns about unfairness to the defendant or unjust enrichment of the plaintiff. The defendant is left no worse off than it would have been had there been no infringement in the first instance, and the plaintiff should be no better off than had the parties negotiated a license. *Sands I*, 978 F.2d at 961; see also E. Luciani, *supra*, at 79, 83 ("Moreover, by limiting an accounting to the gains of unauthorized use, the award leaves the infringer no worse off than if [he] had not infringed in the first place"; such an accounting "should only award the wronged plaintiff that portion of the defendant's profits that are attributable to the infringement"); 15 U.S.C. § 1117(a) (authorizing court to adjust recovery downward or upward if it "find[s] that the amount of recovery based on profits is either inadequate or excessive").

B. The Ninth Circuit made no effort to reconcile an extra-textual willfulness precondition to awarding an infringer's profits with the terms of the Lanham Act

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[15] See 5 McCarthy, *supra*, § 30:62, at 30-144 (explaining that the 1999 amendment did not change the substance of the law and was designed "to correct a drafting error" in Section 1117(a) by making it correspond to Section 1125(c), which already limited "the recovery of damages in dilution cases" to willful violations). Thus, while cases like *Banjo Buddies, Inc.*, 399 F.3d at 174-75, have found the 1999 amendments illuminating—they usefully juxtapose Section 1125(c) claims and all other claims—Section 1125(c) made willfulness a prerequisite to monetary relief for dilution claims well before the 1999 amendments.

itself. The Ninth Circuit thus ignored the fact that Congress expressly imposed a willfulness precondition for dilution claims under Section 1125(c), but not for other claims. See pp. 20-21, *supra*. It ignored the fact that, throughout the Lanham Act, Congress comprehensively and carefully delineated the mental-state and culpability requirements for particular claims and forms of relief, foreclosing judicial supplementation of the statutory requirements. See pp. 22-23, *supra*. It ignored the fact that an across-the-board willfulness requirement for profit awards would render Section 1111, which preconditions both damages and profit awards on actual or constructive notice of registration, partially superfluous. See p. 22 n.12, *supra*. And it made no effort to reconcile its decision with unjust enrichment principles. See p. 26, *supra*.

Instead, the Ninth Circuit confined its analysis to the 1999 amendments to the Lanham Act. In particular, the court stated that, "even on the shaky assumption" that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement," any such expansion would be non-retroactive and thus would "not apply to this suit." App., *infra*, 4a. But that is a non-sequitur. As explained above, the 1999 amendments at issue here did not change the substance of the Lanham Act. Even before those amendments, the Act incorporated—in Section 1125(c)(2) (now Section 1125(c)(5))—a willfulness prerequisite to monetary relief for dilution cases under Section 1125(c); Congress's addition of the phrase "*or a willful violation under section 1125(c)*" to Section 1117(a) merely repeated in Section 1117(a) the requirement that already existed in Section 1125(c) itself. See pp. 23-26, *supra*; 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (providing that the plaintiff is "entitled only to injunctive relief" except where defendant acted "*willfully*"; "[i]f * * * *willful*

intent is proven, the owner of the famous mark" can also obtain profits "subject to the discretion of the court and the principles of equity") (emphasis added); see also H.R. Rep. No. 250, *supra*, at 6 (explaining that the amendment was meant to "clarify" and "avoid any confusion"). There can be no retroactivity concerns from statutory amendments that do not change the statute's substance. Nor can one speak of upsetting settled expectations, one of the primary rationales for the bar on retroactivity. There could be no settled expectations in the face of a longstanding circuit conflict over the statute's meaning.

III. This Case Presents A Recurring Issue Of Substantial Importance

As noted above, the courts are hopelessly divided on whether, under the Lanham Act, willfulness is a prerequisite to awarding to the trademark owner a portion of the profits that the defendant derived from its infringement. The issue is both important and recurring. As the above discussion makes clear, it arises repeatedly in the courts of appeals, see pp. 13-17 & n.8, *supra*; it arises day after day in the district courts, see p. 18 & n.10, *supra*; and it has been the subject of extensive debate and commentary, see pp. 19-20, *supra*. There is, moreover, no sign of that division abating. See H. Weinberger, J. Wagner & N. Simon, *Where There's (Not) A Will (Maybe) There Is A Way: What Is the Role of Willfulness in Lanham Act Damages Awards?*, 235 N.Y. L.J. 6, col. 1 (May 8, 2006) (stating that "now there is even less consensus" on "the question of willfulness as a prerequisite to recovery of defendant's profits under the Lanham Act"). And the issue's importance is likely to increase further still: In 2006, the PTO registered a record number of new federal trademark applications—over 378,000—reflecting a 36% increase over 2005.

The division of circuit authority, and the resulting disarray in the district courts, is particularly problematic given the nature of federal trademark law. Congress enacted the Lanham Act in 1946 with an avowed purpose of establishing uniformity in trademark laws across the country in light of the fact that "trade is no longer local, but is national." S. Rep. No. 1333, 79th Cong., 2d Sess. 5 (1946); see *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763, 781-82 (1992) (Stevens, J., concurring) ("'The purpose of [the Lanham Act] is to protect legitimate business and the consumers of the country,' [and] [o]ne way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy.") (citation omitted)); *Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (noting purpose of the Lanham Act to "codify and unify" the law of trademark protection). Today, that need for national uniformity is even more acute: Given the integrated nature of the national economy, trademark disputes can arise virtually anywhere in the country. The availability of particular forms of relief—or, in this case, any monetary relief at all—ought not depend on the happenstance of the circuit in which the case arises. Nor should such outcomes depend on the success of practices such as forum shopping.

This Court repeatedly has granted petitions in other trademark cases to restore national uniformity. See *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004) (petition granted "to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense"); *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (granting the petition "[b]ecause other Circuits have also expressed differing views about the 'actual harm' issue" under the dilution provisions of the Lanham Act); *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159,

161 (1995) (explaining that the petition was granted because "[t]he Courts of Appeals have differed as to whether or not the law recognizes the use of color alone as a trademark"). The Court should do likewise here.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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August 2007

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-56794
D.C. No. CV-98-08734-AHM

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; VIACOM INTERNATIONAL INC., a corporation; MTV NETWORKS COMPANY, a corporation,
Defendants-Appellees.

Appeal from the United States District Court
for the Central District of California
A. Howard Matz, District Judge, Presiding

ARGUED AND SUBMITTED OCTOBER 16, 2006
PASADENA, CALIFORNIA
FILED FEBRUARY 28, 2007

MEMORANDUM[1]

Before GIBSON,[2] FISHER, and CALLAHAN, Circuit Judges.

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[1] This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.

[2] The Honorable John R. Gibson, Senior United States Circuit Judge for the Eighth Circuit, sitting by designation.

M2 Software, Inc., appeals the entry of summary judgment and a limited permanent injunction with regard to its reverse confusion trademark infringement claim against Viacom, Inc., Viacom International, Inc., and MTV Networks Company (Viacom). We remand only for clarification of the permanent injunction's scope and, if necessary, for trial on that issue.

M2 Software's Claim

In light of our previous ruling in this case, M2 Software has only one remaining federal trademark claim under 15 U.S.C. § 1114; it has waived any claim under 15 U.S.C. § 1125. *See M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). Even had we not already issued an order clarifying that we previously "reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim" because "[n]o other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived," M2 Software again fails to argue this issue "specifically and distinctly" during this appeal. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986). Accordingly, we consider only M2 Software's claims under § 1114.

Damages

1. No reasonable factfinder could conclude that M2 Software was entitled to any actual damages. "The ultimate question in a reverse confusion case is whether consumers doing business with the senior user might mistakenly believe that they are dealing with the junior user." *PlayMakers LLC v. ESPN, Inc.*, 376 F.3d 894, 897 (9th Cir. 2004) (internal quotation omitted). This question focuses on "whether a reasonably prudent consumer in the marketplace is likely to be confused as to the *origin* of the good or service bearing one of the marks." *Id.* (emphasis added) (internal quotation omit-

ted). M2 Software has not produced any evidence of confusion between its mark and Viacom's mark, but rather only evidence as to confusion as to who was the rightful trademark owner.

2. M2 Software is not entitled to an accounting of Viacom's profits, because it did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark. *See Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993) (refusing to order an accounting of profits where "infringement was innocent"); *see also Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000).

Even if there was a meeting between an M2 Software employee and a Viacom Vice-President of International Programming at a trade show in 1992, that is insufficient to show that Viacom was aware of M2 Software's use of an M2 mark. There is no evidence that the Viacom vice-president was involved in any way with M2: MUSIC TELEVISION six years later. M2 Software's contention that Viacom had knowledge of its mark through Mark Farber, a general manager of M2: MUSIC TELEVISION who used to work at Arista Records, which is a client of M2 Software, is equally unsubstantial. It is undisputed that Farber left Arista over six months before M2 Software ever used its mark, and over five years before M2 Software entered into any agreement with Arista.

Viacom's communications with the Patent and Trademark Office do not prove willful infringement. M2 Software argues that Viacom did not disclose its anticipated use of an M2-related mark, but it concedes that Viacom applied to the PTO to register its own M2 trademark before launching the "M2: MUSIC TELEVISION" channel. Finally, there is no evidence that Viacom misrepresented or omitted reference to its interactive services in its communications with M2 Software, but merely that it believed them wholly distinct from M2 Software's pro-

grams. In sum, there is no evidence upon which a reasonable factfinder could base a finding of willful infringement, and M2 Software is not entitled to an accounting of any Viacom profits from the alleged infringement.

3. Because M2's only proposed methodology for estimating a reasonable royalty hinges on an accounting of Viacom's profits, its theory that it may impute royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails. Therefore we need not decide more generally whether reasonable royalties can be a measure of a plaintiff's damages in a trademark case, as other circuits have found appropriate in some cases. *See, e.g., Sands, Taylor & Wood Co. v. Quaker Oats Co. (Sands I)*, 978 F.2d 947 (7th Cir. 1992) (approving use of a reasonable royalty as compensation for reverse confusion trademark infringement where the senior user had negotiated a license with someone other than the plaintiff); *Boston Prof'l Hockey Ass'n, v. Dallas Cap & Emblem Mfg.*, 597 F.2d 71, 76 (5th Cir. 1979) (basing a reasonable royalty rate on prior negotiations between the parties). In the absence of a legitimate proposed basis on which to calculate a royalty, awarding a reasonable royalty here would be impermissibly speculative. *See Lindy Pen Co.*, 982 F.2d at 1408 (refusing damages where there was insufficient evidence as to the amount of damages and collecting cases for the proposition that "[m]any courts have denied a monetary award in infringement cases when damages are remote and speculative").

4. M2 Software argues that the 1999 amendments to the Lanham Act "make clear" that there is no willfulness requirement to recovery under 15 U.S.C. § 1117(a). Whatever the effects of the 1999 amendments may be, they do not apply to this suit, which was filed in October 1998. Even on the shaky assumption that the 1999 amendments did expand the remedies available for violations of § 1114 by negating the willfulness requirement,

these expansions would not be retroactive. The amending statute contains no express provision mandating retroactive enforcement, and the "traditional presumption" prohibits retroactive enforcement of provision that would "increase a party's liability for past conduct." *See Landgraf v. USI Film Products*, 511 U.S. 244, 280 (1994).

Attorney's Fees

The district court did not abuse its discretion in failing to award costs to M2 Software after entering the permanent injunction. "The court in exceptional cases may award reasonable attorneys' fees to the prevailing party." 15 U.S.C. § 1117(a). Because there is no evidence that this case is "exceptional" due to malicious, fraudulent, deliberate or willful infringement, the district court was not statutorily authorized to grant M2 Software its costs. *See Gracie*, 217 F.3d at 1068.

Waiver of Challenges to MTV2 Trademarks

We affirm the district court's grant of summary judgment regarding M2 Software's claims that Viacom's use of the new MTV2 logos constitutes trademark infringement. The district court found that M2 Software waived any challenge to these logos because it failed to raise the issue in its opening brief in its first appeal to this court. M2 Software first raised the issue of confusion between its mark and the MTV2 logo in its opposition to Viacom's 1999 summary judgment motion, but then failed to raise the issue in its opening brief on its first appeal to this court. Thus, M2 Software could have raised the use of the MTV2 logo as a basis for reversing the grant of summary judgment, but failed to do so. Accordingly, M2 Software waived any challenge to the MTV2 logos by failing to raise the issue in its first appeal. Given M2 Software's waiver, we do not decide whether M2 Software is estopped by acquiescence from raising these arguments.

Permanent Injunction

1. M2 Software fails to argue, let alone demonstrate, that under the four traditional equitable principles that guide the issuance of injunctive relief, *see e.g., Reno Air Racing Ass'n v. McCord*, 452 F.3d 1126, 1138 n.11 (9th Cir. 2006), the district court abused its discretion by not enjoining marks that M2 Software asserts are confusingly similar. We therefore affirm the district court's decision not to enjoin Viacom's use of these marks.

2. Our reversal of the earlier summary judgment remanded on the issue of whether the original "M2: MUSIC TELEVISION" logo created a likelihood of confusion with M2 Software's CD-ROM and software products. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (2002). It is unclear whether the district court's final judgment and permanent injunction allow Viacom future use of this logo. Although the injunction does not list the original "M2: MUSIC TELEVISION" among the marks included in the provision that "[n]othing in this judgment precludes Defendants from using," the provision does incorporate into the list "the various logos attached as exhibits" (emphasis added) to the injunction, including the original "M2: MUSIC TELEVISION" logo.

If the district court's permanent injunction and final order permitted Viacom's future use of this original logo, then it prematurely precluded the only relief M2 Software may be entitled to if it can show a likelihood of confusion between Viacom's use of the "M2: MUSIC TELEVISION" mark and M2 Software's CD-ROM or software products. Thus, we vacate the final judgment and remand to the district court to clarify whether its permanent injunction extended to Viacom's future use of the original logo. If the injunction does not bar such use by Viacom, then we remand for trial on the sole issue remaining in this case: whether there is a likelihood of confusion between the original logo and M2 Software's

CD-ROM or software products that could entitle M2 Software to injunctive relief.

AFFIRMED in part; **VACATED** in part and **REMANDED**. The parties shall bear their own costs on appeal.

APPENDIX B

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 98-8734 AHM (MCX)

M2 SOFTWARE INC.,
Plaintiff.

v.

VIACOM, INC., et al.,
Defendants.

PERMANENT INJUNCTION AND FINAL JUDGMENT

[THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(D).]

[FILED SEPTEMBER 7, 2004]
[ENTERED SEPTEMBER 8, 2004]

RECITALS

Plaintiff filed this action on October 28, 1998, seeking, among other things, damages and an injunction against the use of the M2: MUSIC TELEVISION trademark by Defendants.

In March 1999, Defendants voluntarily changed the name of their television programming service from M2: MUSIC TELEVISION to MTV2 and currently use the logos displayed at Exhibit 1 attached hereto and variations thereof.

On or about July 27, 2000, the Court (Judge Paez) granted summary judgment in favor of Defendants and against Plaintiff on all claims alleged in the complaint, finding that no reasonable jury could find a likelihood of confusion between Plaintiff's mark and M2: MUSIC TELEVISION.

On or about January 30, 2002, the Ninth Circuit reversed the summary judgment, holding that the Court (Judge Paez) should have considered Plaintiff's CD-ROMs and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology."

On or about September 5, 2002, the Ninth Circuit clarified its ruling, stating, "We reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986)."

On or about March 12, 2004, I granted Defendants' Motion for Summary Adjudication as to Damages and Attorneys' Fees but denied Defendants' Motion for Summary Judgment because injunctive relief was not moot. The Court's Order only addressed Defendants' use of M2: MUSIC TELEVISION and stated that it did not find it necessary to rule on the availability of relief regarding Defendants' current MTV2 logo. At the Court's suggestion, Defendants thereafter proposed a permanent injunction providing, in relevant part:

> 3. Defendants specifically and generally deny any and all liability to Plaintiff based on any actions of Defendants at any time, including without limita-

tion any liability arising from Defendants' use of the marks M2, M2: MUSIC TELEVISION and MTV2, or the M2: MUSIC TELEVISION logo (a copy of which is attached as Exhibit 2) or the MTV2 logo. Defendants also specifically and generally deny that Plaintiff has incurred any damages whatsoever on account of any of Defendants' actions. Without limiting the foregoing, Defendants specifically and generally also deny that any of their actions at any time have infringed Plaintiff's rights in its M2 trademark or trade name; and

4. Solely as a compromise in an effort to resolve this matter, Defendants agree, without admitting any liability, not to use the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products; and

5. Defendants expressly reserve the right to use any and all other names, marks and logos including, but not limited to, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the MTV2 logo attached hereto as Exhibit 1. Defendants further reserve the right to change the name of their programming service at any time to any name other than M2 or M2: MUSIC TELEVISION.

The proposed injunction also included as part of the order thereon a provision that each party shall bear its own fees and costs.

Plaintiff would not sign the proposed stipulation for injunction because "if agreed to by Plaintiff, [it] would constitute Plaintiff's complete and conclusive abandonment of all issues concerning the 'M$_{TV}$2' logo currently being used by Viacom." Pl.'s Opp'n to Mot. to Resubmit Mot. for Summ. J., 4:8-16.

Defendants then filed a Motion to Resubmit Their Previously Acted Upon Motion For Summary Judgment or, in the Alternative, Motion for Reconsideration Re: Summary Judgment, which the Court denied on June 16, 2004. However, the Court invited Defendants to file a separate summary adjudication motion regarding MTV2.

On July 6, 2004, Defendants filed their summary adjudication motion regarding MTV2. On August 9, 2004, the Court granted Defendants' motion for summary adjudication regarding MTV2, but denied Defendants' motions for attorneys' fees and costs.

RELIEF

WHEREFORE, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED:

1. Defendants are permanently enjoined from using the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products;
2. Nothing in this judgment precludes Defendants from using any and all other names, marks and logos, including, without limitation, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the various logos attached as exhibits to this judgment;
3. The Court shall retain jurisdiction over this case and, if Defendants reasonably believe at any time that Plaintiff has ceased to have any enforceable rights in the M2 trademark, Defendants may move the Court upon notice to Plaintiff to dissolve this injunction. The parties may also stipulate to dissolve this injunction;
4. Defendants having consented to the foregoing relief without admitting liability, each party shall bear its own fees and costs; and

5. All parties reserve the right to appeal from this judgment, this Court's Order dated March 12, 2004, granting Defendants' Motion for Summary Adjudication as to Damages and Attorneys' Fees and this Court's Order dated August 9, 2004, granting Defendants' Motion for Summary Adjudication regarding MTV2 but denying Defendants' Motion for attorneys' fees and costs.

IT IS SO ORDERED.

DATE: September 7, 2004 /s/ A. Howard Matz
United States District Judge

MTV
MUSIC TELEVISION

APPENDIX C
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 98-8734 AHM (MCX)

M2 SOFTWARE INC.,
Plaintiff,

v.

VIACOM, INC., et al.,
Defendants.

ORDER DENYING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT AND GRANTING PARTIAL SUMMARY ADJUDICATION

[THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(d).]

[FILED MARCH 12, 2004]
[ENTERED MARCH 15, 2004]

This matter is before the Court on Defendants' Motion for Summary Judgment or, in the Alternative, Summary Adjudication of Issues as to Damages and Attorneys' Fees. The Court and the parties are already familiar with the facts of this case based on the motion for a preliminary injunction and the first summary judgment motion and the Court need not recount them except as they may bear upon the analysis of this motion.

PROCEDURAL HISTORY

In 2000, Judge Paez granted summary judgment to Defendants, holding that Plaintiff's "RLMS system [Record Label Management System] is not related to defendants' M2: Music Television, there is no likelihood of confusion between [sic] the source of the two products . . . [and] defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise." *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061, 1072 (C.D. Cal. 2000) ("Judge Paez's Order").

In an unpublished memorandum disposition, the Ninth Circuit reversed Judge Paez's Order and remanded the case for trial. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). The Ninth Circuit held that Plaintiff's trademark encompassed several CD-ROMs in addition to the RMLS system and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology." *Id.* at 712.

The Ninth Circuit later clarified its memorandum, stating that it was only addressing the federal trademark infringement claim because that was the only portion of Judge Paez's Order that the parties had raised on appeal. Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A. Thus, the only remaining cause of action is the Lanham Act claim for trademark infringement on a theory of reverse confusion.[1] 15 U.S.C. § 1114 (West 2004).

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[1] Plaintiff now argues that its claim is for both forward confusion and reverse confusion. Reply SUF, ¶ 7. Not so. The theory of reverse confusion is what both Judge Paez's and the Ninth Circuit's decisions assume and Plaintiff did not dispute it in the earlier sum-

SUMMARY JUDGMENT STANDARD

Federal Rule of Civil Procedure 56(c) provides for summary judgment when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The moving party bears the initial burden of demonstrating the absence of a "genuine issue of material fact for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). A fact is material if it could affect the outcome of the suit under the governing substantive law. *Id.* at 248. The burden then shifts to the nonmoving party to establish, beyond the pleadings, that there is a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

"When the party moving for summary judgment would bear the burden of proof at trial, it must come forward with evidence which would entitle it to a directed verdict if the evidence went uncontroverted at trial. In such a case, the moving party has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transp. Brokerage Co., Inc. v. Darden Rest., Inc.*, 213 F.3d 474, 480 (9th Cir. 2000) (citations omitted). In contrast, when the nonmoving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence from the nonmoving party. The moving party need not disprove the other party's case. *See Celotex*, 477 U.S. at 325. Thus, "[s]ummary judgment for a defendant is appropriate when the plaintiff 'fails to make a showing sufficient to establish the existence of an element essential to [his] case, and on which

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mary judgment motion. *See* Judge Paez's Order at 1067; Ninth Circuit opinion at 712; Decl. of David Caplan, Exh. 17-555, ¶ 6 (Pl.'s SGI in first summary judgment motion).

[he] will bear the burden of proof at trial.'" *Cleveland v. Policy Mgmt. Sys. Corp.*, 526 U.S. 795, 805-06 (1999) (*citing Celotex*, 477 U.S. at 322).

When the moving party meets its burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). Summary judgment will be entered against the nonmoving party if that party does not present such specific facts. *Id.* Only admissible evidence may be considered in deciding a motion for summary judgment. *Id.*; *Beyene v. Coleman Sec. Serv., Inc.*, 854 F.2d 1179, 1181 (9th Cir. 1988).

"[I]n ruling on a motion for summary judgment, the nonmoving party's evidence 'is to be believed, and all justifiable inferences are to be drawn in [that party's] favor.'" *Hunt v. Cromartie*, 526 U.S. 541, 552 (1999) (quoting *Anderson*, 477 U.S. at 255). But the nonmoving party must come forward with more than "the mere existence of a scintilla of evidence." *Anderson*, 477 U.S. at 252. Thus, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (citation omitted).

DISCUSSION

In Plaintiff's prayer for relief, it seeks an injunction, damages (based on theories of lost profits, lost royalties, corrective advertising, accounting of Defendants' profits, enhanced damages, and punitive damages), and attorneys' fees. Compl. 17:9-19:20; Reply to Pl.'s Statement of Genuine Issues of Fact ("Reply SGI"), ¶ 9. Defendants argue that the Court should grant summary judgment in their favor because Plaintiff is not entitled to any of these

remedies. Broadly summarized, Defendants contend (1) there is no longer any need for or basis for an injunction, and (2) even if there was product confusion and infringement, Plaintiff's claims must be thrown out because Plaintiff cannot prove damage. In the following analysis, I will assume, without making any finding, that Plaintiff has established infringement.

I. Injunctive Relief

The Lanham Act gives federal courts the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark. . . ." 15 U.S.C. § 1116(a) (West 2004). An injunction is the preferred remedy for trademark infringement if the plaintiff proves a likelihood of confusion, while courts are generally reluctant to award monetary relief without a showing of "something more" in the form of actual confusion or willfulness. *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988); 5 *McCarthy on Trademarks and Unfair Competition* § 30:58 (4th ed. 2003) ("*McCarthy*"). Defendants argue that injunctive relief is moot since they "voluntarily ceased using the M2: MUSIC TELEVISION mark almost five years ago." Defs.' Mot., pp. 24-25.

A request for injunctive relief may become moot if a defendant voluntarily ceases the alleged infringing activity, but an injunction is still available "where defendant's intentions are in doubt." 5 *McCarthy* § 30:11 (4th ed. 2003). The Ninth Circuit does not require a trademark plaintiff to present evidence that the alleged infringing activity is likely to continue in the future, especially when the defendant does not voluntarily cease its activities until after plaintiff files the lawsuit. *Id.*; *Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135 (9th Cir. 1986); *see also Levi Strauss & Co. v. Shilon*, 121

F.3d 1309, 1314 (9th Cir. 1997). As the court in *Polo Fashions* explained:

> a trademark plaintiff "entitled to relief, is entitled to effective relief; and any doubt in respect of the extent thereof must be resolved in its favor as the innocent producer and against the [defendant], which has shown by its conduct that it is not to be trusted." . . . If the defendants sincerely intend not to infringe, the injunction harms them little; if they do, it gives [plaintiff] substantial protection of its trademark.

Id. at 1135-36 (quoting *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 532 (1924)). The cases Defendants cite do not alter this analysis.

Plaintiff M2 Software, Inc. filed this lawsuit in October 1998, yet Defendants did not change the name of their cable channel from "M2: MUSIC TELEVISION" to "MTV 2" until March 1999.[2] Based on *Polo Fashions* and subsequent cases, this fact alone is a sufficient basis to find that the possibility of injunctive relief is not moot. Plaintiff also argues that the infringement is actually ongoing because the new "MTV 2" logo displays the "M" and "2" most prominently, some Yahoo! Finance press releases use boilerplate language referring to "M2," and the host of one of MTV's shows referred to the second network as "M2" on an NBC special. Moreover, Defendants have continued to assert throughout this litigation that they did not infringe Plaintiff's mark. *Cf. E. & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F. Supp. 457, 468 (N.D. Cal. 1991). Since the Ninth Circuit held that a reasonable jury could find that Defendants infringed M2 Software's trademark, any doubts about whether a per-

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[2] Plaintiff also sent two cease and desist letters in the summer of 1997 and spring of 1998 before filing this lawsuit. Decl. of Dave Escamilla in Opp'n, Exh. 24.

manent injunction would be an appropriate remedy should be resolved in Plaintiff's favor. *See Polo Fashions, supra.* The Court DENIES summary adjudication as to the availability of injunctive remedies.[3]

II. Monetary Relief

Defendants argue that they are entitled to summary adjudication on the issue of damages because Plaintiff cannot prove that Defendants caused any injury. According to Defendants, if Plaintiff is "[u]nable to satisfy this absolute prerequisite to a recovery of damages under any theory, Plaintiff is precluded from recovering any damages in this case." Defs.' Mot., 1:16-19 (emphasis in original). However, leading treatises on trademark law do not support the proposition that proof that the infringement caused injury is necessary to recover every type of monetary relief. According to *McCarthy*:

> "A plaintiff wishing to recover damages ... must prove that the violation caused actual confusion among consumers of the plaintiff's product, and, as a result, that the plaintiff suffered actual injury, i.e. a loss of sales, [profits, or present value (good will)] ... Other avenues of relief, however, are not foreclosed. In the past, courts have fashioned wide-ranging relief for a violation of the Lanham Act, allowing remedies such as a recovery of defendant's profits, an award of costs of the action, and, in some exceptional cases, an award of attorneys' fees ...

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[3] The parties devoted considerable effort in their motion papers and at the hearing asserting their respective views as to whether the Defendants' current logo, "MTV 2," is immune from any challenge and beyond injunctive relief because of the doctrine of tacking. *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174, F.3d 1036, 1047-48. It is unnecessary for the Court to rule on this dispute because injunctive relief is available in any event, for the foregoing reasons.

> These remedies flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence."

5 *McCarthy* § 30:74 (4th ed. 2003) (quoting *Web Printing Controls Co. v. OxyDry Corp.*, 906 F.2d 1202 (7th Cir. 1990) (emphasis added); *see also 4 Callmann Unfair Competition, Trademarks and Monopolies* § 22.50 (4th ed. 2002) (court has discretion to award defendant's profits on a theory of unjust enrichment without requiring "the plaintiff to prove that it suffered any damages on account of the infringement.") In addition, if the plaintiff *can* prove that the defendant caused actual injury, the court may compensate the plaintiff for its losses through an award of corrective advertising, lost profits, and/or defendant's profits, so long as the award does not result in over-compensation. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988-89 (9th Cir. 1996); 5 *McCarthy* § 30:73 (4th ed. 2003).

Thus, the Court will first address actual damages and then remaining theories of damages which may not require proof of causation.

A. Actual Damages

A plaintiff is not entitled to any measure of actual damages unless it can prove that the defendant caused the alleged injury. There must be "actual evidence of some injury *resulting from the deception* . . ." to ensure that damages are not too speculative. *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 210 (9th Cir. 1989), *cert. denied*, 510 U.S. 1113 (1994) (emphasis in original); *accord Trovan, Ltd., v. Pfizer, Inc.*, 2000 WL 709149, *8-9 (C.D. Cal 2000).

Plaintiff argues that it lost revenue when part of a deal it was negotiating with BMG Entertainment fell through because the BMG negotiator, Mimi Kim, feeling unsure

whether Plaintiff was rightfully using the "M2" mark or infringing upon it, questioned Plaintiff's credibility. Decl. of David Caplan, Exh. 3 (Escamilla Depo.), pp. 118-132; Decl. of Steven L. Barron in Opp'n to First Summary Judgment Motion (Oct. 4, 1999), Exh. 12 (Decl. of Escamilla in Support of Preliminary Injunction), ¶ 22. Ms. Kim has testified that she was the main negotiator for BMG and that she recalls telling Mr. Escamilla that she had questions about Plaintiff's credibility because she believed that "M2" was Defendants' mark and that Plaintiff was infringing it. Decl. of David Caplan; Exh. 22 (Kim Depo.), pp. 581-584. Defendants argue that there was no injury because BMG eventually went through with part of the deal and Plaintiff cannot show that the reason BMG did not go through with the remaining part of the deal was because of Ms. Kim's questions. In addition, Ms. Kim testified that she "probably thought they [Plaintiff and Defendants] were two separate companies." *Id.* at 588; Defs.' Reply, pp. 12-13. Thus a reasonable jury could find that Ms. Kim was not confusing Plaintiff and its products with Defendants and their products; she was simply confused about which party had the right to use the "M2" mark. Ms. Kim's doubts about Plaintiff's integrity may have left Plaintiff with the perceived need to refute "the false implication that [it] ha[d] 'pirated' [and manufactured] the work of another," *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 610 (1st Cir. 1992), *cert. denied*, 509 U.S. 923 (1993), as opposed to having to dispel the notion that Viacom, which also used "M2," was the actual source of Plaintiff's goods. But even if Plaintiff had that concern, its claim would not be for trademark infringement, but for another tort, perhaps "commercial disparagement" (also known as "injurious falsehood"). *Id.* As then-Chief Judge Breyer explained in *DeCosta*:

> The existence of these other carefully tailored types of protection also cautions strongly against introducing into trademark law, a kind of overriding concept such as the actionable harm of "falsely being thought a pirate," which concept could well upset the balance between those interests favoring free use and dissemination—a balance carefully developed by legislatures, and slowly by courts, over many years.

Id. at 610.[4] Thus, the evidence pertaining to Ms. Kim and the BMG negotiations is not evidence that Defendants' alleged trademark infringement caused Plaintiff any actual injury. The same is true of Plaintiff's proffer of Ms. Naomi Yamaga's testimony; she was not actually confused about the source of Plaintiff's products. Indeed, she understood that "M2: Music Television" had "nothing to do with Mr. Escamilla's company." Supplemental Decl. of Larry McFarland in Reply, Exh. 1 (Yamaga Depo.), 93:11-21.[5]

The only other evidence Plaintiff offers to show actual consumer confusion is a 2001 survey conducted by Consumer Pulse, revealing that "21% of young adult re-

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[4] Judge Paez also relied on this First Circuit case in his Order at pages 1068-69 and the Ninth Circuit did not address the issue on appeal.

[5] Plaintiff also mentions that a Stanford student emailed M2 Software asking for more information about MTV's second network channel. Decl. of Steven L. Barron in Opp'n to First Summary Judgment Motion (Oct. 4, 1999), Exh. 25 (Yaconelli Depo. and email). One isolated instance of actual confusion such as this is too insubstantial to show that Defendants caused Plaintiff injury. *See Harper House, supra*, at 210 ("A Harper House witness did testify that some retailers thought Time Maker might be a Harper House product, and that he had to explain to them that it was not. The district court itself acknowledged that this evidence of confusion was 'insubstantial.' . . . We agree with the district court that Harper House failed to present any evidence of injury. . .").

spondents indicated that they watched the 'M2' network regularly or extensively" and that an "additional 41% of respondents . . . had at least heard of, or were familiar with, the 'M2' network even if they didn't watch it regularly." Pl.'s Opp'n, p. 12; Decl. of Dave Escamilla, Exh. 19. According to Escamilla, Exhibit 19 consists of:

> . . . true and correct copies of a consumer survey conducted by Consumer Pulse, Inc., a national survey organization . . .[,] the data results to that survey entered by Consumer Pulse, Inc., and a letter of verification from the organization's director dated September 19, 2001. Consumer Pulse, Inc. administered the survey, in person, at a major regional shopping center in Jacksonville, Florida from June 2001 through August 2001. Neither Consumer Pulse, Inc. nor the participants had any knowledge of the litigation, the parties, or the purpose of the survey.

Decl. of Dave Escamilla, ¶ 22.[5] The director of Consumer Pulse does not provide any information about the reliability of the survey design and implementation, only certifying that "all information in the spreadsheet is accurate and is the exact response of each individual that participated in this study." *Id.*, Exh. 19-2-.1:1.

The Court has previously addressed the issue of this exact survey in *M2 Software, Inc. v. Madacy Entertainment, et al.*, CV 00-2853 AHM (RZx) ("*Madacy*"), ruling it inadmissible. Plaintiff submitted an identical survey and spreadsheet in opposition to Madacy Entertainment, et al.'s motion for summary judgment. *Madacy*, Decl. of Dave Escamilla in Opp'n (Oct. 22, 2001), Exh. 14. The only difference is that in this case, Escamilla included a

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[5] Defendants understandably object to the very introduction of this survey because this is the first they learned of it and the discovery cutoff was in 1999. Defs.' Reply, p. 14.

brief letter from the director of Consumer Pulse. Escamilla's declaration in the *Madacy* case reveals that he designed the survey himself and simply commissioned Consumer Pulse to administer it and tabulate the results. *Madacy*, Decl. of Dave Escamilla, ¶ 30. In *Madacy*, Judge Baird ruled the survey evidence inadmissible because the "undisputed facts show that Dave Escamilla failed to establish that the survey was created or conducted in a manner that complied with the appropriate standards for creating a survey." *Madacy*, Order Granting Summary Judgment in Part, Denying in Part (Jan. 8, 2004), 19:11-14 (citing *Click Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1263 (9th Cir. 2001) (court decides threshold issue of admissibility, considering whether survey is "relevant and conducted according to accepted principles.") When *Madacy* was transferred from Judge Baird to this Court, the issue arose again on a motion in limine to exclude a report Mr. Escamilla prepared from the Consumer Pulse spreadsheet. I ruled the report inadmissible, relying on Judge Baird's prior order and finding that Escamilla is not qualified as an expert on consumer surveys. *Madacy*, Rulings on Certain Motion *In Limine* (Jan. 3, 2003), pp. 5-9. I reached the same results here, for much the same reasons.

Plaintiff has not submitted any evidence from which a reasonable jury could conclude that Defendants' alleged trademark infringement caused Plaintiff actual injury. Accordingly, Plaintiff cannot recover actual damages, whether they be measured by lost profits, corrective advertising, or Defendants' profits. The Court GRANTS summary adjudication on the issue of actual damages.

B. Other Avenues of Relief

1. Reasonable Royalty

Plaintiff argues that it is entitled to a reasonable royalty as a measure of Defendants' unjust enrichment re-

sulting from the alleged infringement. Pl.'s Opp'n, pp. 19-20 (citing *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992), *remanded and aff'd in relevant part, rev'd in part*, 34 F.3d 1340 (7th Cir. 1994)). In this case, damages based on a reasonable royalty theory would be impermissibly speculative. Unlike almost all of the relatively few cases approving "royalty awards" for trademark infringement (*e.g. Sands, supra; Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 597 F.2d 71 (5th Cir. 1979)), there is no evidence that any licensing negotiations occurred between the parties and there is no evidence that M2 Software was ever willing to license its mark to anyone. For these reasons, Plaintiff cannot recover under a royalty theory of damages. *Accord Trovan, supra*, *15-18 (vacating jury's reasonable royalty award, because that award had "no basis in reality, much less any basis in fact" where there was no evidence that plaintiffs would have licensed their mark).

2. Unjust Enrichment: Defendants' Profits

A successful trademark plaintiff is not entitled to an accounting of defendant's profits on a theory of unjust enrichment unless the infringement was willful. *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000); *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir. 1993) *cert. denied*, 510 U.S. 815 (1993). In the context of a reverse confusion case like this one, the issue is not whether the junior user (Viacom, et al.) intended to profit on the senior user's (M2 Software) good name, but whether the junior user acted in bad faith. *Trovan, supra*, at *24-25 (citing *Sands, supra*, at 947). Courts take into account factors such as whether defendant conducted a basic trademark search, whether defendant sought the advice of counsel, and whether defendant obtained a trademark registration from the PTO. *Id.*

By Plaintiff's own account, Defendants conducted a basic trademark search in 1996 over a month before they began to use the mark in connection with their second television station. They sought the advice of Senior Vice President and Deputy General Counsel of Intellectual Property and Litigation, Robin Silverman. They responded to each of Plaintiff's cease and desist letters articulating their belief that the marks were different and unlikely to cause confusion. Reply SGI, ¶¶ 98-99; Decl. of Dave Escamilla, Exh. 24, pp. 277-79, 283-85 (responses to cease and desist letters). Defendants also applied for trademark registration with the United States Patent and Trademark Office ("PTO") and while the application was suspended due to the likelihood of confusion with other marks, Plaintiff's mark was not one of the marks to which the PTO was referring. Supplemental Decl. of Larry McFarland in Reply, Exh. 17 (Defs.' correspondence with PTO); Decl. of David Caplan, Exh. 3-199 (PTO denial of Pl.'s Letter of Protest).[7] "Infringement is not willful if the defendant might have reasonably thought that its proposed usage was not barred by the statute." *Blockbuster Videos, Inc. v. City of Tempe*, 141 F.3d 1295, 1300 (9th Cir. 1998) (citations omitted). Defendants and their in-house counsel could have reasonably believed that their use of the trademark was not infringing, especially in light of the PTO's examination.

Plaintiff argues that a jury could find Defendants' conduct willful based on their history of willful infringement

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[7] Plaintiff argues that Defendants withheld from the PTO the fact that interactive use would be offered in connection with the new television channel. Opp'n, p. 21. The interactive component of Defendants' television channel was never an important part of that product. See Judge Paez's Order at 1064; "Intel's Intercast technology was a commercial failure and has been phased out. Only three or four people ever viewed the Intercast additional programming elements for M2: Music Television."

in unrelated cases. Pl.'s Opp'n, p. 20. Specifically, Plaintiff cites *TV Land, L.P. v. Viacom Int'l, Inc.*, 908 F. Supp. 543, 549 (N.D. Ill. 1995), and the "widely publicized" fact that Defendants "forced" Spike Lee to settle "when Viacom decided that it would like to use the 'SPIKE' name in the television business." Pl.'s Opp'n, p. 20. *TV Land, supra*, does not support Plaintiffs assertion, as it involved a preliminary injunction and the court did not make any findings on the issue of the defendants' intent. *Id.* at 553. Plaintiff does not cite any evidentiary support for his allegations regarding Defendants' treatment of Spike Lee and the Court therefore disregards them.

There is not sufficient evidence from which a jury could reasonably conclude that Defendants acted in bad faith. Accordingly, the Court GRANTS summary adjudication regarding accounting of Defendants' profits as a remedy for unjust enrichment.

3. Punitive Damages

Defendants are entitled to summary adjudication on the issue of punitive damages because the Lanham Act does not authorize punitive damages for trademark infringement. *Duncan v. Stuetzel*, 76 F.3d 1480, 1490 (9th Cir. 1996); *Harper House, supra*, at 200 n.1. As *McCarthy* explains, punitive damages are often unnecessary because the "federal statute permits not only up to a trebling of actual damages but also an unlimited increase of an award of defendant's profits." 5 *McCarthy* § 30:97 (4th ed. 2003).

4. Enhanced Damages

The Lanham Act gives courts the discretion to award damages "for any sum above the amount found as actual damages, not exceeding three times such amount." 15 U.S.C. § 1117(a) (West 2004). Like accounting of profits, enhanced damages are not available unless the

defendant's conduct is willful. *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (9th Cir. 1994), *cert. denied*, 515 U.S. 1107 (1995). The Court GRANTS summary adjudication on the issue of enhanced damages because a jury could not reasonably find that Defendants' conduct was willful.

5. Attorney's Fees

The Lanhan Act gives courts the authority to award reasonable attorneys' fees to the prevailing party in "exceptional circumstances." 15 U.S.C. § 1117(a) (West 2004). "While the term 'exceptional' is not defined in the statute, generally a trademark case is exceptional for purposes of an award of attorneys' fees when the infringement is malicious, fraudulent, deliberate or willful." *Lindy Pen*, *supra*, at 1409; *accord Gracie*, *supra*, at 1068. The Court GRANTS summary adjudication on the issue of attorneys' fees for the same reasons discussed above regarding accounting of Defendants' profits.

Although Defendants have requested a ruling on each of their evidentiary objectives to Plaintiff's exhibits, the Court declines to rule on issues that are not necessary to resolve this motion for summary judgment. Defs.' Objections to Evidence Offered by Pl. in Opp'n, 2:6-7.

CONCLUSION

For the foregoing reasons, the court DENIES Defendants' Motion for Summary Judgment and GRANTS their Motion for Summary Adjudication of Issues as to Damages and Attorneys' Fees.[*]

Defendants' Motion *in Limine* to Exclude Plaintiff's Tax Returns and the Expert Reports and Testimony of Bruce L. Ross is MOOT because that evidence is only rel-

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[*] Docket No. 270.

evant to damages and this Order grants summary adjudication in favor of Defendants on the issue of damages."

This Order is not intended for publication.

IT IS SO ORDERED.

DATE: March 12, 2004 /s/ A. Howard Matz
United States District Judge

" Docket No. 275.

APPENDIX D
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 00-56426
D.C. No. CV-98-08734-RAP

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; et al.,
Defendants-Appellees.

ARGUED AND SUBMITTED NOV. 5, 2001
DECIDED JANUARY 30, 2002

MEMORANDUM*

Before PREGERSON, REINHARDT, and SILVERMAN, Circuit Judges.

M2 Software appeals the district court's grant of summary judgment in favor of Viacom. Because the facts are known to the parties, we will not recite them in detail except as necessary. We have jurisdiction pursuant to 28 U.S.C. § 1291, and we reverse.

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as may be provided by Ninth Circuit Rule 36-3.

To prevail on its claim of trademark infringement in violation of the Lanham Act, M2 Software must show (1) that it has a valid mark entitled to protection under the Act, and (2) that Viacom's mark creates a likelihood of confusion. *See Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999). The district court concluded that M2 Software had a valid trademark in its Record Label Management System ("RLMS"), but that Viacom's "M2: Music Television" cable channel did not create a likelihood of confusion. *See M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061 (2000).

We review de novo the district court's grant of summary judgment. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1109 (9th Cir. 1999), *cert. denied*, 528 U.S. 1155, 120 S.Ct. 1161, 145 L. Ed. 2d 1073 (2000). "Because of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *See id.* (citing *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1356 n. 5 (9th Cir. 1985)).

M2 Software contends that it had a valid M2 trademark not only on the RLMS product, but also on several CD-ROMs it created between 1991 and 1997, including the BPC Interactive, Hijack Interactive, and Killer Grab-bag of Shards. We agree. M2 Software registered the M2 trademark on the federal register for computer software including "interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and the biographical information from the film and music industries." U.S. Trademark No. 1,931,182 (registered Oct. 31, 1995). Federal registration of a trademark is prima facie evidence of the validity of the registered mark for the goods or services specified. Lanham Act § 7(b), 15 U.S.C. § 1057(b). The CD-ROMs fall squarely within the terms of the registration, and

Viacom does not argue that the registration was invalid in any way or that M2 Software had canceled or abandoned the mark.

Moreover, M2 Software is the indisputable senior user of the M2 mark based upon the introduction of its RLMS product in 1991, and the senior user "has the right to enjoin 'junior' users from using confusingly similar marks in the same industry or market or within the senior user's natural zone of expansion." *Brookfield Communications*, 174 F.3d at 1047. Accordingly, we conclude that M2 Software had valid trademark rights in the M2 mark that extended to its CD-ROM products.

M2 Software argues that Viacom's use of the M2 mark created a likelihood of confusion. Specifically, M2 Software alleges that the use of the mark created a likelihood of reverse confusion, which occurs when consumers doing business with the senior user mistakenly believe that they are dealing with the junior user. *See Dreamwerks Prod. Group Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). In determining whether there is a likelihood of confusion, the following factors are relevant: (1) strength of the mark, (2) proximity of the goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) defendant's intent in selecting the mark, (8) likelihood of expansion of the product lines. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979). In a reverse confusion case, such as this one, the first three factors are "pivotal." *Dreamwerks*, 142 F.3d at 1130. "[I]n a close case amounting to a tie, doubts are resolved in favor of the senior user," which is M2 Software. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 n. 14 (9th Cir. 1997).

We conclude that M2 Software has brought forth sufficient evidence that "would permit a rational factfinder to

find a likelihood of confusion." *Interstellar Starship Servs., Ltd.*, 184 F.3d at 1112. The evidence, viewed in the light most favorable to M2 Software, *see id.* at 1109, supports an inference that Viacom's M2: Music Television and use of the M2 mark in connection with Intel's Intercast Technology created a likelihood of confusion with M2 Software's music-industry products.

REVERSED and **REMANDED** for trial.

PREGERSON, Circuit Judge, Dissenting.

I disagree with the majority as to whether M2 Software's M2 trademark extends to its CD-ROM products. I think that Judge Paez, who handled the case in the district court, got it right when he concluded that M2 Software's trademark ownership should be analyzed in connection with its CD-ROM products at the time when the CD-ROM products were first used in commerce, and not when M2 Software first acquired its rights in the M2 mark through its use on prior products. Accordingly, I respectfully dissent because I think the CD-ROM products should not have been included in the likelihood of confusion analysis as they were not used in commerce before Viacom used its mark.

APPENDIX E

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. CV 98-8734 RAP MCX

M2 SOFTWARE INC., a Delaware corporation,
Plaintiff,

v.

VIACOM, INC., a Delaware corporation; VIACOM INTERNATIONAL, INC., a Delaware corporation; and MTV NETWORKS COMPANY, a Delaware corporation,
Defendants.

JULY 27, 2000

ORDER GRANTING SUMMARY JUDGMENT

PAEZ, District Judge.

I.
Introduction

Plaintiff M2 Software, Inc. brings this action for damages against defendants Viacom, Inc., Viacom International, Inc. and MTV Networks Company for trademark infringement and unfair competition. Plaintiff owns the federally registered trademark for the M2 mark. Plaintiff asserts that defendants unlawfully infringed the M2 mark when they used it to describe their second cable network, M2: Music Television. As a result, plaintiff filed its complaint against defendants on October 28, 1998,

alleging seven federal and state causes of action, including trademark infringement, unfair competition, trademark dilution and unfair business practice.

Plaintiff previously moved for a preliminary injunction barring defendants' use of the M2 mark in conjunction with the M2: Music Television channel or any other product. The Court denied the motion, finding that, although plaintiff had shown a likelihood of success on the merits, it had not shown a possibility of irreparable harm because the plaintiff had delayed in bringing the motion and the evidence did not show the imminent expansion of defendant's business. *See M2 Software, Inc. v. Viacom Inc. et al.*, No. CV 98-8743 RAP (MCX) (C.D. Cal. filed January 27, 1999) ("Preliminary Injunction Order").

Following the denial of the preliminary injunction, defendants changed the logo of their new programming service from "M2: Music Television" to "MTV 2."

Pending before the Court is defendants' motion for summary judgment. Defendants argue that plaintiff's 1st, 2nd, 4th, 6th, and 7th causes of action[1], which encompass defendants' alleged infringement of plaintiff's trademark, should be dismissed because four of plaintiff's five products were never "used in commerce" so as to invoke trademark protection and defendants did not infringe the trademark of the one protected product. Defendants argue that plaintiff's 3rd and 5th causes of action for federal and state dilution, under 15 U.S.C. § 1125(c) and Cal.

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[1] These causes of action are for: federal statutory trademark infringement (15 U.S.C. § 1114, et seq.), trademark infringement and false designation of origin (15 U.S.C. § 1125), common law trademark infringement, common law passing off and unfair competition, and state statutory unfair trade practice (Cal. Bus. Prof.Code § 17200, et. seq.). Because each of these claims is based on the alleged infringement of plaintiff's trademark, these claims will be analyzed together in the Trademark Infringement section of this order.

Bus. Prof. Code § 14330, should be dismissed because plaintiff's mark is not famous. Defendants also argue that plaintiff sustained no damage from defendants' conduct.

II.
Factual Background

M2 Software, a Delaware corporation based in Los Angeles, owns the federally registered trademark "M2." The corporation is a one-man operation, run entirely by Dave Escamilla, a musician and a graduate of Stanford College and Wharton School of Business. Escamilla began doing business as M2 Software in Fall 1991.

His original product was the M2 Multimedia Sampler, later called M2 BPC interactive. This was a program that allowed a viewer to hear clips of music and watch animation and video footage. The product was available on floppy disc and cassette tape, and it was downloadable as "shareware," whereby a consumer could download the program via an on-line service and later pay for the program if he chose to keep it. M2 Software offers no proof of any sales of this product. Plaintiff admits that this product was not commercially available after 1995.

In 1991, M2 Software began marketing its Record Label Management System ("RLMS"), a software system for use by record companies in managing royalties and other information related to their music and video products. Between 1992 and 1997, plaintiff licensed RLMS systems to thirteen recording companies. It modified the system in 1993 or 1994 by adding a feature that let users link to clips of music and videos. Defendants claim that this feature is not mentioned in any brochures for the product, and that none of the thirteen licensees' systems have music or video content. Plaintiff claims this feature provides music and video functionality—not con-

tent—and that this capability is installed at client sites. Plaintiff does not advertise the RLMS system.

Plaintiff's trademark registration issued on October 31, 1995, based upon plaintiff's first use in October of 1991. The trademark issued for use on "computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and biographical information from the film and music industries; and instructions and information for playing musical instruments."

In 1997, plaintiff created an interactive video CD–ROM under the M2 label featuring the group Marden Hill for Stepping Stone Recordings. Stepping Stone sent promotional copies of the product to retail record stores. The CD was listed in an ad in Spin Magazine for a Marden Hill album.

In late 1998, plaintiff produced a CD–ROM under the M2 label featuring a performer called Buckethead. The CD was given away or sold as a promotion by Buckethead at concerts, through mail order, and on the Buckethead website. In March 1998, plaintiff placed an ad in Guitar Magazine promoting an instructional video by Buckethead and the CD. In 1999, plaintiff began distributing the CD through Amazon.com.[2]

Defendants are all Delaware corporations involved in the entertainment industry, encompassing the music,

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[2] Plaintiff originally alleged in its complaint that it also produced a fifth product—the M2 Music Service. Defendants contend that this product is merely a list of domain name registrations, and one of those listed, M2MUSIC.COM is not an active web site. Plaintiff does not mention this product in its opposing memorandum, and the Court does not consider this product in this infringement inquiry.

television, recording and multimedia fields. In particular, MTV Networks operates two music channels broadcasting primarily through cable and satellite providers. In August 1996, MTV Networks launched its second cable network, called M2: Music Television. The M2: Music Television network was initially available only to subscribers with C-band satellite dishes, large satellite dishes typically utilized in rural areas. Only three million viewers originally had access to the channel, and Los Angeles and Manhattan were "blacked out" from viewing the channel. Today, the M2: Music Television channel maintains a subscriber base of eleven million consumers. Defendants have never sold advertising on M2: Music Television and they have provided the programming to cable and satellite operators for no charge.

Around the time defendants launched M2: Music Television, defendants entered into an agreement with Intel which enabled defendants to provide additional programming elements that could be accessed through Intel's Intercast technology. These elements were part of the analog feed that supplied the programming—not part of the internet. Thus, to access this technology, a consumer had to receive an analog feed of M2: Music Television. Further, the consumer needed to purchase Intel's Intercast TV tuner card. Intel's Intercast technology was a commercial failure and has been phased out. Only three or four people ever viewed the Intercast additional programming elements for M2: Music Television.

III.
Discussion

A. Summary Judgment Standard

Summary judgment is appropriate when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and

that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); *see Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986).

The moving party bears the initial burden of demonstrating the absence of a genuine issue of material fact. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). Whether a fact is material is determined by looking to the governing substantive law; if the fact may affect the outcome, it is material. *Id.* at 248, 106 S. Ct. 2505. If the moving party seeks summary adjudication with respect to a claim or defense upon which it bears the burden of proof at trial, its burden must be satisfied by affirmative, admissible evidence. By contrast, when the non-moving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence submitted by the non-moving party. The moving party need not disprove the other party's case. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 325, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986).

If the moving party meets its initial burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e).

In assessing whether the non-moving party has raised a genuine issue, its evidence is to be believed, and all justifiable inferences are to be drawn in its favor. *Anderson*, 477 U.S. at 255, 106 S. Ct. 2505, *citing Adickes v. S.H. Kress and Co.*, 398 U.S. 144, 90 S. Ct. 1598, 26 L. Ed. 2d 142 (1970). Nonetheless, "the mere existence of a scintilla of evidence" is insufficient to create a genuine issue of material fact. *Id.* at 252, 106 S. Ct. 2505. As the Supreme Court explained in *Matsushita*,

> [w]hen the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts. . . . Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no "genuine issue for trial."

Matsushita Elec. Indus. Co., 475 U.S. at 586-87, 106 S. Ct. 1348.

To be admissible for purposes of summary judgment, declarations or affidavits must be based on personal knowledge, must set forth "such facts as would be admissible in evidence," and must show that the declarant or affiant is competent to testify concerning the facts at issue. Fed. R. Civ. P. 56(e). Declarations on information and belief are insufficient to establish a factual dispute for purposes of summary judgment. *Taylor v. List*, 880 F.2d 1040, 1045 (9th Cir. 1989).

Summary judgment is not treated as "a disfavored procedural shortcut" but as "an integral part of the Federal Rules as a whole, which are designed 'to secure the just, speedy and inexpensive determination of every action.'" *Celotex*, 477 U.S. at 327, 106 S. Ct. 2548, quoting Fed. R. Civ. P. 1.

B. Trademark Infringement

"A trademark is a limited property right in a particular word, phrase or symbol." *New Kids On The Block v. News America Publishing, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). "In a trademark infringement claim, the plaintiff must demonstrate: (1) the validity of its trademark; and (2) the infringement of that mark." *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998).

1. Prior Commercial use of the M2 Trademark

Plaintiff can only succeed on its trademark claims if its trademark M2 is entitled to protection. As proof of its

validity, plaintiff points to the federal registration of the trademark. Plaintiff also argues that it has used the trademark in commerce since 1991.

A federal trademark registration is prima facie evidence of the registrant's ownership of the mark and provides a presumption of validity. *See Sengoku Works Ltd. v. RMC International, Ltd.*, 96 F.3d 1217 (9th Cir. 1996). However, "[o]wnership rights flow only from prior use, either constructive or actual." J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition § 16:18 (1999). Thus, federal registration provides the holder with a presumption of ownership—but not actual ownership. Actual ownership derives from prior use. *Id.*

A trademark is used by attaching it to a product and placing it in the flow of commerce. Therefore, a necessary corollary of the prior use rule is that a trademark is only entitled to protection once it is attached to a specific product. Thus, a registered trademark holder does not own a mark merely when he knows the type of products he hopes to market or intends to market a certain product. *See Societe de Developments et D'Innovations des Marches Agricoles v. International Yogurt Co.*, 662 F. Supp. 839, 852 (D. Or. 1987). Exclusive rights to a mark are secured when a product bearing the mark is placed in the marketplace, or, under language of the Lanham Act, is "used in commerce." *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). This rule is designed to protect other potential market entrants by providing notice of the existence of a mark and its association with a product before substantial sums are invested in promotion. *Id.* Accordingly, trademark ownership is analyzed in connection with a given product at the time it is "used in commerce," not at the time its owner first acquired rights in the mark through its use on prior products. Ownership of a mark does not grant protection ad infinitum for any product its owner may at some point

choose to adorn with the mark. This idea is buttressed by case law allowing a party to use a pre-existing mark on a different product in a different market from that of the original user. *See McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126 (2d Cir. 1979) (allowing manufacturer of expensive women's coat to use trademark "Drizzle," despite prior registration of "Drizzler" mark for plaintiff's cheaper golf jackets); *King Research, Inc. v. Shulton, Inc.*, 454 F.2d 66 (2d Cir. 1972) (finding "Ship Shape" on hairspray did not infringe registered "Ship Shape" trademark for comb and brush cleaners).

Given the foregoing rules, whether plaintiff's trademark is entitled to protection must be analyzed as to each product bearing the M2 mark by considering the date that each was placed in commerce. Plaintiff's M2 Multimedia Sampler was used in commerce from 1991 to 1995. Plaintiff's RLMS system has been used in commerce from 1991 to the present. Plaintiff's Marden Hill CD was placed in commerce in 1997, and plaintiff's Buckethead CD was placed in commerce in 1998. Defendants' M2: Music Television programming was used in commerce with the M2 mark from 1996 to 1999. A simple analysis of this timeline reveals that plaintiff's ownership of the M2 trademark, at the time defendants entered the market, was only enforceable in connection with its RLMS system because RLMS was the only product commercially available at the time M2: Music Television entered the market. The M2 Multimedia Sampler was no longer used in commerce, and the two CD's had not yet been used in commerce. Defendants had no notice of the association of the trademark M2 with these three products when it entered the market with the M2: Music Television mark. The association of M2 with RLMS, a narrowly focused accounting system, was insufficient to give defendants notice of this association, and, therefore, use of the M2 mark with RLMS does not validate plaintiff's

use of the mark with earlier or later products. Because the trademark M2 was "used in commerce" by plaintiff only in connection with RLMS at the time defendants entered the market, plaintiff can only succeed on its infringement claim with reference to this product.[3]

2. Infringement of M2's Trademark

a. The Allegedly Infringing Conduct

Before an infringement claim can be resolved, the products involved and the allegedly infringing conduct must be delineated. As described above, plaintiff's trademark could only have been infringed by defendants with respect to its RLMS product. The RLMS is a software system which allows recording companies to keep track of their royalties. Consumers of the product license the system from plaintiff. Escamilla personally installs the system and, as part of the license, provides upkeep on the system for one year. Plaintiff has licensed the system to thirteen companies. Thus, each consumer seeks and receives a personalized product.

Plaintiff claims the system has video and audio capabilities, whereby licensees can install video and audio content relating to their clients. Defendants claim that this capability is not mentioned in the RLMS brochure and that not one of the thirteen licensees have used this capability. Defendants provide deposition testimony from a number of the licensees which backs up this assertion. Plaintiff provides testimony from two licensees which suggest their systems may have such capabilities but that

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[3] Defendants argue that infringement should be judged only as to the RLMS system because plaintiff's other products never have been used in commerce. The Court does not consider this argument because it is clear that, at the time defendants entered the market with the M2: Music Television mark, plaintiff's other products either were no longer or had not yet been used in commerce.

the capabilities have never been used by either licensee. *See* Plaintiff's Exs. 14:911-13, 24:1601-04. Because the facts must be viewed in the light most favorable to the plaintiff on this motion for summary judgment, the Court assumes the product features this capability.

Defendants entered the market in 1996 with a music video programming service bearing the mark M2. Defendants provide the service to satellite and cable providers who then transmit the service to television viewers around the country. It seems clear that, when the service was introduced, defendants intended the service to be compatible with computers such that viewers could access the service through their computers. The Intel agreement highlights this intent. However, the evidence clearly shows that this capability did not materialize. Intel no longer offers the technology which provided access to defendants' programming, and neither party alleges that M2: Music Television could be accessed by computer in any other way. Only three or four people ever accessed defendants' programming via computer.

Trademark infringement actions do not turn on the alleged appropriation of the trademark. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1403 (9th Cir. 1997). Instead, they turn on whether the junior mark causes a likelihood of confusion in the marketplace. *Id.* This matter presents the unusual situation of reverse confusion. Reverse confusion occurs when consumers do business with the senior user under the mistaken impression it is the junior user. *Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). Claims of trademark infringement and reverse confusion rely on the same test—likelihood of confusion. *See generally id.*

The test for determining the likelihood of confusion "is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good

or service bearing one of the marks." *Id.* at 1129. The Ninth Circuit looks to eight specific factors when evaluating the likelihood of confusion:

(1) the strength of the plaintiff's mark;

(2) relatedness of the goods;

(3) similarity of the marks;

(4) evidence of actual confusion;

(5) marketing channels;

(6) type of goods and purchaser care;

(7) intent; and

(8) likelihood of expansion.

Id. citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979). The *Sleekcraft* factors are not exhaustive. *Sleekcraft*, 599 F.2d at 348 n. 11. In fact, "[o]ther variables may come into play depending on the particular facts presented". *Id.* In a reverse confusion case, the Ninth Circuit focuses on three particular factors: strength of the mark, similarity of the marks, and relatedness of the goods. *Dreamwerks*, 142 F.3d at 1130 ("Three of the Sleekcraft factors are pivotal here.").

b. The Sleekcraft Factors

i. Strength of Mark

The Court found in its prior ruling that the M2 mark is an arbitrary and fanciful mark, and therefore deserving of broad trademark protection. *See* Preliminary Injunction Order at 7-8, *citing Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215 (9th Cir. 1987); *National Customer Engineering Inc. v. Lockheed Martin Corp.*, 43 U.S.P.Q.2d 1036, 1038 (C.D. Cal. 1997). This conclusion remains unchanged.

ii. Relatedness of the Goods

In determining the relatedness of the products or services, the Court may consider whether the goods are: (1) complementary; (2) similar in use or function; or

(3) sold to the same class of purchasers. *Sleekcraft*, 599 F.2d at 350.

Plaintiff argues that the two products are complementary. Without specifically explaining how the products complement each other, plaintiff vigorously asserts that defendants intended their programming to be computer-ready. Needless to say, defendants may have intended their product to offer numerous features and capabilities which never made it to the marketplace. The ability to access and otherwise use the M2: Music Television programming with a computer appears to be one such feature. The evidence shows that the programming was not computer-ready, having been accessed via computer by only three or four people.

Though plaintiff does not argue this, RLMS's video capability suggests that the products could be complementary. RLMS users can input video content into the system; M2: Music Television contains video programming. Presumably, if all had proceeded according to defendants' plan, a viewer could download a video from M2: Music Television for input into the RLMS system. However, because M2: Music Television is not computer-ready, a user cannot take a video directly from M2: Music Television and copy it to a computer. As for compatibility with RLMS's main function of tracking royalties, plaintiff does not allege that recording companies are owed royalties when a client's video plays on M2: Music Television. Plaintiff simply cannot show complementary functions between the two products, and no reasonable trier of fact could conclude otherwise.

The products are not similar in use or function. RLMS is a computer software program for calculating royalties which allows users to input music and videos into the system. M2: Music Television is television programming, whose content is music videos. They both involve music and videos but in quite different ways. One

is an accounting and informational product, one is an entertainment programming product. Again, each potentially involves music and video, so the products relate to the same basic industry, but they are not "similar in use or function."

The third arm of the "relatedness" critique asks whether the goods are sold to the same class of purchasers. Plaintiffs contend that both parties "interact" with record companies. This may be true, but interaction does not equal consumption. Defendants argue that plaintiff's consumers differ from defendants' consumers. Defendants' consumers are cable and satellite providers while plaintiff's purchasers are record industry executives. As executives, they represent sophisticated consumers capable of discerning a difference between the products and their manufacturers.

The *Dreamwerks* case is instructive. It points out that the focus should rest on the consumers and whether they are likely to associate plaintiff's products with defendants. *Id.* It seems unlikely that plaintiff's consumers, record executives, could be confused as to whether MTV also markets the RLMS product. Escamilla personally markets and installs the system, and no evidence shows that any customer has thought Escamilla was allied with the defendants.

Thus, the goods do not complement each other, they do not have a similar use or function, and they are not sold to the same class of purchasers. According to the test, the goods do not "relate" to each other. The fact that both may relate to music and videos does not affect this outcome.

iii. Similarity of the Marks

The Court found in its prior ruling that the marks used by each party were identical under the "sight, sound and meaning" test. *See* Preliminary Injunction Order at

11-12, *citing Dreamwerks*, 142 F.3d at 1131. This finding remains unchanged.

iv. Actual Confusion

Defendants properly point out that plaintiff has failed to submit survey evidence or any proof that "an appreciable number of reasonably prudent purchasers exercising ordinary care" have been confused as to the source of plaintiff's product. *Lord Simon Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013, 1042 (C.D. Cal. 1998). In fact, plaintiff does not show proof that even one purchaser or potential purchaser of RLMS has been confused. Plaintiff points to one incident of alleged reverse confusion in which a record executive "question[ed] the credibility of M2 Software." Plaintiff's Opposition, 17:11. In response, defendants cite to a First Circuit case which held that trademark law did not provide relief for "falsely being thought a pirate." *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 610 (1st Cir. 1992). Plaintiff does not allege that the consumer questioned whether defendants or plaintiff were the source of the RLMS product, only whether plaintiff was wrongly using defendants' trademark. Thus, the alleged incident does not present an actual case of reverse confusion.

It is true that the absence of actual confusion is not dispositive. *Rodeo Collection*, 812 F.2d at 1219 ("The lack of evidence of actual confusion is not controlling."); *see also E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1292 (9th Cir. 1992); *Eclipse Assocs. Limited v. Data General Corp.*, 894 F.2d 1114, 1118 (9th Cir. 1990). Still, the fact that plaintiff cannot point to one actual or potential RLMS consumer who confused the source of the product is telling.

v. Marketing Channels

"Advertising, as well as retail distribution, is considered in addressing this factor." *Walter v. Mattel*, 31 F.

Supp. 2d 751, 760-61 (C.D. Cal. 1998) *citing Nutri/System, Inc. v. Con-Stan Industries, Inc.*, 809 F.2d 601, 606 (9th Cir. 1987).

Plaintiff describes a number of its advertising channels, most of which seem to pertain to its CD–ROM products. None of the advertising specifically promotes RLMS. RLMS is mainly promoted via word of mouth. However, RLMS may benefit from small ads that plaintiff has taken out in the back of music magazines, which merely include the name "M2 Software." Defendants do not describe their methods of advertising M2: Music Television. Plaintiff argues, however, that the programming service has been advertised over the air, on-line, at trade shows, at promotional events, at live concerts, in retail music stores, and through press releases. Although the parties do not advertise their products in similar ways, both rely on music magazines.

As noted above, plaintiff's RLMS product is distributed to record companies, whereas defendants' product is distributed to cable and satellite providers. However, plaintiff's argument that both parties "interface" with record companies is relevant to this factor. Plaintiff shows that defendants have had contact with BMG Entertainment and Warner Brothers, two of plaintiff's customers, which supports the argument that they share "convergent marketing channels." *Nutri/System, Inc.*, 809 F.2d at 606. Clearly, both companies conduct business in the music industry. Given that plaintiff mainly promotes RLMS via word of mouth, it is important that all of the people Escamilla comes into contact with are aware of defendants and that some of them probably have indirect business contact with defendants. This element weighs in plaintiff's favor.

vi. Type of Goods and Consumer Care in Purchasing

The parties' products are not the same type of goods: one is a software system, while the other is music video television programming. Furthermore, RLMS customers use much care in selecting the product because RLMS cannot be purchased off the shelf. The consumer must meet with Escamilla, license the product, and have the product installed by Escamilla on-site. This evinces a high degree of consumer care in purchasing.

vii. Defendants' Intent

Plaintiff offers two arguments in favor of bad faith. First, defendants had notice of plaintiff's trademark but chose to use the mark anyway. Defendants do not deny that their counsel conducted a due diligence search of registered trademarks before adopting the M2 mark. They assert that their decision to go forward with the M2 mark suggests that they believed the products were different enough for them to proceed without committing infringement. Furthermore, they cite McCarthy for the argument that a junior user's actual or constructive notice of a senior user's mark does not necessarily show bad faith. 3 McCarthy § 23:109.

Second, plaintiff cites McCarthy for the proposition that a defendant's prior infringing conduct can be considered in a bad faith determination. It points out that defendants were enjoined from infringing a small Chicago retailer's TV Land trademark in the case *TV Land v. Viacom Int'l, Inc.*, 908 F. Supp. 543 (N.D. Ill. 1995). Defendants do not rebut this argument.

Defendants point out that the ultimate goal of this factor is to test whether the junior user intended to "palm off" its product as the product of the senior user. *GTE Corp. v. Williams*, 904 F.2d 536, 542 (10th Cir. 1990). Indeed, the Ninth Circuit has noted that intent to deceive

is not relevant in reverse confusion cases. *Dreamwerks*, 142 F.3d at 1130. This is so because a junior user in reverse confusion cases is larger and better known than the senior user and therefore is not attempting to palm off its products as the senior user's. This argument applies here. Given this argument's logic, and plaintiff's lack of proof of bad faith, this element weighs in defendants' favor.

viii. Likelihood of Expansion

This element weighs in defendants' favor, and indeed may be considered moot, because defendants have stopped using the M2 mark for its programming service. Even if defendants choose to expand the market for this product, it will not affect plaintiff's mark.

c. Application

Five of the eight Sleekcraft factors weigh in defendants' favor: the goods are not technically related; there is no evidence of actual confusion; there is a high degree of purchaser care; there is no evidence of bad faith; and there is no likelihood of expansion. Three Sleekcraft factors weigh in plaintiff's favor: the M2 trademark is strong; the parties's marks are extremely similar; and the marketing channels may be related.

The *Dreamwerks* court found that "[t]hree of the Sleekcraft factors are pivotal" in reverse confusion cases: strength of the mark, similarity of the mark, and relatedness of the goods. *Dreamwerks*, 142 F.3d at 1130. The first two factors weigh strongly in plaintiff's favor. The M2 trademark is strong because it is an arbitrary mark and it is identical to the mark placed in commerce by defendants. The third factor weighs in defendants' favor because the two products are not related: they are not complementary, they do not have similar functions, and they do not have the same distribution scheme. The *Dreamwerks* court noted that "the factors should not be

rigidly weighed; we do not count beans. Rather, the factors are intended to guide the court in assessing the basic question of likelihood of confusion." *Dreamwerks*, 142 F.3d at 1129 (quotations omitted), *quoting E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992).

Looking at the big picture, the Court finds that likelihood of confusion does not exist and that no reasonable trier of fact could conclude otherwise. The parties' products were extremely different at the time defendant entered the market, and there has been no actual confusion as to the source of RLMS. Mr. Escamilla may have every intention of using the M2 mark in connection with the production and marketing of musical, interactive CD-ROM's. Unfortunately, his intentions do not grant him automatic trademark protection in such products. Review of the Sleekcraft factors reflects the picture painted by the admissible evidence: plaintiff had not yet produced any such products at the time defendants entered the market. It may seem unfair that a company with a large presence in a market that Escamilla hoped to enter could gain rights to his existing mark before he had a chance to enter the market. However, trademark law protects the prior user, and the undisputed evidence shows that plaintiff had not yet entered the musical CD-ROM market with any of his products at the time defendants began to use the M2: Music Television mark. What plaintiff did market was an accounting software system, which Escamilla personally installed for thirteen recording companies. This system may have had a music/video component, but it is clear that RLMS's consumers did not purchase the system for this feature and indeed may have never even used the component. The undisputed admissible evidence shows that plaintiff's RLMS product was quite different from that offered by defendants. It was promoted differently and it was purchased by sophisti-

cated record company executives. Defendants were not seeking to misappropriate plaintiff's goodwill, and the threat from defendants' use of the mark, to the extent there was any, is now nonexistent. Plaintiff is now free to enter defendants' market with the M2 mark because defendants have changed their mark.

Defendants did not infringe plaintiff's M2 mark when they entered the market with M2: Music Television in 1996. There was no likelihood of confusion between the marks, and no reasonable jury could conclude otherwise. Defendants are entitled to summary judgment on plaintiff's trademark infringement claims.

C. Dilution

Defendants also move to dismiss plaintiff's third and fifth claims for relief for trademark dilution under the Federal Trademark Dilution Act, 15 U.S.C. § 1125, and California's trademark dilution statute, Cal. Bus. Prof. Code § 14330. Plaintiff premises its claim for damages by dilution[1] on 15 U.S.C. § 1125(c), which provides that

> the owner of a famous mark shall be entitled, subject to principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark[.]

15 U.S.C. § 1125(c)(1). Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the fa-

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[1] The California dilution statute provides for injunctive relief, but does not authorize damages. Therefore, to the extent plaintiff sought injunctive relief under the California statute, its claim is moot because defendants no longer utilize the M2 mark.

mous mark and other parties, or (2) likelihood of confusion, mistake or deception." 15 U.S.C. § 1127; *see also Panavision Int'l L.P. v. Toeppen*, 945 F. Supp. 1296, 1301 (C.D. Cal. 1996) ("Trademark dilution laws protect 'distinctive' or 'famous' trademarks from certain unauthorized uses of the marks regardless of a showing of competition or likelihood of confusion."), *aff'd, Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).[5] To prove a violation of the Federal Trademark Dilution Act, a plaintiff must show that (1) the mark is famous; (2) the defendant is making a commercial use of the mark; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services. *Panavision*, 141 F.3d at 1324.

The Federal Trademark Dilution Act lists eight non-exclusive factors a court may consider in determining whether a mark is distinctive and famous. The statutory factors are:

> (A) the degree of inherent or acquired distinctiveness of the mark;
>
> (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

---

[5] Traditionally, dilution has been found where the defendant's conduct either tarnishes or blurs the mark, but dilution is not limited to tarnishment and blurring. *Panavision Int'l*, 141 F.3d at 1326. When a famous mark is linked to products of lesser quality or portrayed in an unwholesome manner, the mark is tarnished. *Panavision Int'l*, 945 F. Supp. at 1304 (citations omitted). "'Blurring' involves a 'whittling away' of the selling power and value of a trademark by unauthorized use of the mark. Examples of blurring would be 'Pepsi' in-line skates or 'Microsoft' lipstick." *Id.*

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1).

Defendants argue that plaintiff's dilution claims must fail because plaintiff's M2 mark is not famous. Furthermore, defendants argue that plaintiff failed to present evidence on this issue. Plaintiff claims that it has presented enough evidence on three of these eight factors to raise a triable issue of fact. Plaintiff argues that it has presented evidence on the acquired or inherent distinctiveness of its mark; the duration and extent of the use of the M2 mark in connection with its products; and the geographical extent of use. Plaintiff may have presented evidence as to these factors, but it is not enough to survive this motion. As noted above, it is true that plaintiff's mark is distinctive and that plaintiff has used the mark continually since 1991. However, plaintiff has not shown that its use has been geographically extensive. Plaintiff claims it has promoted its products with the mark nationally and internationally. Its evidence, however, simply does not show such a wide geographic range of use.

Plaintiff does not offer any cases which show that a mark of similar use was considered famous.

Furthermore, plaintiff's greatest use of the mark has been with its CD–ROM products. As noted, RLMS has been licensed to thirteen customers, whereas its CD–ROM's have been distributed at concerts, at record stores, and on the web. This means that, to the extent that plaintiff's mark is famous, it has become so since the time defendants entered the market. In 1996, plaintiff had not distributed any CD–ROM's.

Defendants offer survey evidence that the M2 trademark is not famous. A survey was conducted telephonically with 501 random respondents. The M2 mark received "a very low-level awareness" according to defendants' expert. *See* Defense Exhibit 31:2369. The awareness factor was 12% on an aided basis. The expert notes that 11% responded favorably to completely fictitious marks, and that a broad range of products were connected with the M2 mark. Only 1% connected M2 with CD's or music videos.

Plaintiff's mark is not famous, and more importantly, it *was* not famous at the time defendants entered the market. Given the admissible evidence submitted in connection with this motion, no reasonable jury could conclude otherwise. Defendants are entitled to summary judgment on plaintiff's dilution claims.

IV.

Conclusion

In the Court's prior order, we found that plaintiff had shown a likelihood of succeeding on the merits of his claims. The consideration of a more complete record leads the Court to reach a different conclusion at this stage of the litigation. In 1996, defendants began using the M2: Music Television mark. At that time, plaintiff was using the M2 mark in commerce with only one prod-

uct, its RLMS accounting program. Because its RLMS system is not related to defendants' M2: Music Television, there is no likelihood of confusion between the source of the two products. In sum, in adopting the M2: Music Television mark, defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise. While plaintiff may have hoped to become a producer of interactive music and video CD-ROM's, and indeed, may have recently achieved this goal, the evidence clearly shows that plaintiff had not yet produced any such products with the M2 label in 1996. Because trademark law protects prior use, plaintiff cannot claim protection for products he had not yet placed on the market. Accordingly, defendants' motion for summary judgment is **GRANTED**. Judgment shall be entered in favor of defendants. Defendants shall recover their costs of suit as allowed by law.

IT IS SO ORDERED.

APPENDIX F
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-56794
D.C. No. CV-98-08734-AHM
CENTRAL DISTRICT OF CALIFORNIA,
LOS ANGELES

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; VIACOM INTERNATIONAL INC., a corporation; MTV NETWORKS COMPANY, a corporation,
Defendants-Appellees.

[Filed April 26, 2007]

ORDER

Before GIBSON,* FISHER, and CALLAHAN, Circuit Judges.

The panel has voted to deny the petition for panel rehearing. Judge Fisher and Judge Callahan have voted to deny the petition for rehearing en banc, and Judge Gibson so recommends.

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* The Honorable John R. Gibson, Senior United States Circuit Judge for the Eighth Circuit, sitting by designation.

The full court has been advised of the petition for rehearing en banc and no judge has requested a vote on whether to rehearing the matter en banc. Fed. R. App. P. 35. The petition for panel rehearing and petition for rehearing en banc, filed March 14, 2007, is **DENIED**.

APPENDIX G

Supreme Court of the United States
Office of the Clerk
Washington, DC 20543-0001

William K. Suter
Clerk of the Court
(202) 479-3011

July 17, 2007

Mr. Jeffrey A. Lamken
Baker Botts L.L.P.
1299 Pennsylvania Avenue, N.W.
Washington, DC 20004-2400

Re: M2 Software, Inc.
v. Viacom Inc., et al.
Application No. 07A48

Dear Mr. Lamken:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to Justice Kennedy, who on July 17, 2007 extended the time to and including August 14, 2007.

This letter has been sent to those designated on the attached notification list.

Sincerely,
William K. Suter, Clerk
by /s/ Jeffrey Atkins
Jeffrey Atkins
Supervisor-Case Analyst
Division

APPENDIX H
RELEVANT STATUTORY PROVISISIONS

The Lanham Trademark Act of 1946, codified as 15 U.S.C. § 1051, *et. seq.*, provides as follows:

* * * * *

1. 15 U.S.C. § 1114 provides in relevant part:

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumen-

talities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any non-governmental entity.

(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future is-

sues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive

relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 1125(d) of this title; or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is iden-

tical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

(3)(A) Any person who engages in the conduct described in paragraph (11) of section 110 of title 17 and who complies with the requirements set forth in that paragraph is not liable on account of such conduct for a violation of any right under this Act. This subparagraph does not preclude liability, nor shall it be construed to restrict the defenses or limitations on rights granted under this Act, of a person for conduct not described in paragraph (11) of section 110 of title 17, even if that person

also engages in conduct described in paragraph (11) of section 110 of such title.

(B) A manufacturer, licensee, or licensor of technology that enables the making of limited portions of audio or video content of a motion picture imperceptible as described in subparagraph (A) is not liable on account of such manufacture or license for a violation of any right under this Act, if such manufacturer, licensee, or licensor ensures that the technology provides a clear and conspicuous notice at the beginning of each performance that the performance of the motion picture is altered from the performance intended by the director or copyright holder of the motion picture. The limitations on liability in subparagraph (A) and this subparagraph shall not apply to a manufacturer, licensee, or licensor of technology that fails to comply with this paragraph.

(C) The requirement under subparagraph (B) to provide notice shall apply only with respect to technology manufactured after the end of the 180-day period beginning on April 27, 2005.

(D) Any failure by a manufacturer, licensee, or licensor of technology to qualify for the exemption under subparagraphs (A) and (B) shall not be construed to create an inference that any such party that engages in conduct described in paragraph (11) of section 110 of title 17 is liable for trademark infringement by reason of such conduct.

* * * * *

2. 15 U.S.C. § 1116 provides, in relevant part:

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction had been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a

certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Director

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding involving a mark registered under the provisions of this chapter to give notice thereof in writing to the Director setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Director, and within one month after the judgment is entered or an appeal is taken the clerk of the court shall give notice thereof to the Director, and it shall be the duty of the Director on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under section 1114(1)(a) of this title or section 220506 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means—

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of Title 36;

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for an order under this subsection shall—

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless—

(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that—

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make

such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth—

(A) the findings of fact and conclusions of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person against whom an order under this subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that service of a copy of the order under this subsection shall be made by a Federal

law enforcement officer (such as a United States marshal or an officer or agent of the United States Customs Service, Secret Service, Federal Bureau of Investigation, or Post Office) or may be made by a State or local law enforcement officer, who, upon making service, shall carry out the seizure under the order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties, on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the applicant for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive

damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621(a)(2) of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * * * *

3. 15 U.S.C. § 1117 provides in relevant part:

§ 1117. Recovery for violation of rights.

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of

section 1114(1)(a) of this title or section 220506 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

(c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) Statutory damages for violation of section 1125(d)(1)

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final

judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

(e) Rebuttable presumption of willful violation

In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.

* * * * *

4. 15 U.S.C. § 1117 (1994) provided in relevant part (before amendment in 1999):

§ 1117. Recovery for violation of rights; profits, damages and costs; attorney fees; treble damages; election

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of

section 1114(1)(a) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

(c) In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

* * * * *

5. 15 U.S.C. § 1125 provides as follows:

§ 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

> (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
>
> (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was

first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—

(A)(i) is brought by another person under the common law or a statute of a State; and

(ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

(B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.

(B)(i) In determining whether a person has a bad faith intent described under subparagraph (a), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creat-

ing a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c) of this section.

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the do-

main name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c) of this section; and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such

action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.

* * * * *

6. 15 U.S.C. § 1125(c) (1994 ed., Supp. I (1995), & 2000 ed.) provided in relevant part (before amendment in 2006):

* * * * *

(c) Remedies for dilution of famous marks

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only injuntive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

* * * * *

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No. 07-202

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SUPREME COURT, U.S.

In The

Supreme Court of the United States

M2 SOFTWARE, INC.,

Petitioner,

v.

VIACOM, INC., VIACOM INTERNATIONAL, INC., AND MTV NETWORKS COMPANY,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

Respondent Viacom Inc. is a publicly held company listed on the New York Stock Exchange. Viacom Inc. has no parent, and no publicly held company owns 10% or more of its stock. Respondent Viacom International Inc. is a wholly owned subsidiary of Viacom Inc. Respondent MTV Networks (improperly designated as MTV Networks Company) is a division of Viacom International Inc.

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BRIEF FOR THE RESPONDENTS

STATEMENT OF THE CASE

Petitioner M2 Software, Inc. ("Petitioner") is a one-man corporation that developed and licenses a record industry royalty database software system using the federally registered trademark "M2."[1] App. at 38a.[2] Using the M2 mark, Petitioner also briefly created and distributed a commercially unsuccessful line of interactive video products on CD-ROM. *Id.* at 39a.

Respondents Viacom Inc., Viacom International Inc. and MTV Networks (collectively, "Respondents") are all part of the Viacom family of entertainment-related businesses. *Id.* at 39a-40a. In August 1981, Respondent MTV Networks launched MTV: MUSIC TELEVISION ("MTV"), a television network featuring music-based programming and distributed primarily through cable and satellite television providers. *Id.* at 40a. MTV was, and at all times since 1981 has been, identified and promoted using its now famous federally registered mark and the associated iconic MTV logo depicted below (the "MTV Logo").[3]

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[1] United States Trademark Registration Number 1,931,182.

[2] As used herein, the Appendix to the Petition is referred to as "App."; and the Appendix to this Opposition is referred to as "Supp. App."

[3] Respondent owns numerous trademark registrations in the United States relating to MTV: MUSIC TELEVISION and MTV, including the original MTV Logo, identified as United

(Continued on following page)

In August 1996, 15 years after MTV's launch, Respondents launched a companion network – M2: MUSIC TELEVISION. *Id.* at 40a. Underscoring the link to MTV and as depicted below, the original logo for M2: MUSIC TELEVISION was the flip-side, or exact reverse, of the MTV: MUSIC TELEVISION mark with the number "2" set inside it. Supp. App. at 19a n.1.

This companion network operated under the name M2: MUSIC TELEVISION for less than three years – from the August 1996 launch through March 1999, when respondent changed the name of the network to MTV2. *Id.* at 6a. During this time, the companion network never made a profit and had no

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States Trademark Registration Numbers 1,310,411; 1,373,948; 1,373,884; 1,373,885; 1,374,812; 1,373,690; 1,374,710; 1,373,804; 1,374,783; 1,372,705; 1,372,615; 1,580,650; 1,400,277; 1,401,139; 1,401,140; 1,818,179; 2,259,143; 2,472,785; and 2,418,808.

meaningful revenues. App. at 40a. M2: MUSIC TELEVISION was provided to cable and satellite operators for free, and Respondents received no advertising income attributable to it. *Id.*

On October 28, 1998, Petitioner commenced this action in the United States District Court for the Central District of California. *Id.* at 36a-37a. Petitioner alleged that Respondents' use of the M2: MUSIC TELEVISION name and logo infringed on and was otherwise inconsistent with Petitioner's rights in the M2 mark. *Id.* Petitioner asserted several trademark-related causes of action under the Lanham Act and California state law. *Id.* Petitioner demanded monetary damages, including actual damages and an accounting of Respondents' profits. *Id.* Petitioner also sought a preliminary and a permanent injunction prohibiting Respondents' use of the M2: MUSIC TELEVISION name and logo. *Id.* The District Court denied Petitioner's motion for a preliminary injunction in January 1999. *Id.* at 37a.

As indicated above, in March 1999, Respondents voluntarily changed the name of the MTV companion music channel from M2: MUSIC TELEVISION to MTV2. *Id.* at 82a. Respondents also abandoned all use of the M2: MUSIC TELEVISION name and logo. *Id.* Instead, to identify and promote MTV2, Respondents used only a new logo comprised of the famous MTV Logo juxtaposed with the numeral "2." *Id.* Although the new MTV2 logo was displayed in slightly varying sizes, orientations and colors depending upon the background against which it appeared,

the new logo always consisted of the famous MTV Logo and the number "2" separated by a line, as demonstrated below. *Id.*, Ex. 1; Supp. App. at 19a n.1.

On July 27, 2000, the District Court granted summary judgment for Respondent, dismissing all of Petitioner's claims based upon its finding that there was no likelihood of confusion. App. at 9a. On January 30, 2002, the Ninth Circuit reversed the District Court's dismissal, but only as to *one* of Petitioner's claims. *Id.* at 9a, 32a-35a.

The Ninth Circuit held that the District Court had erroneously dismissed Petitioner's federal trademark infringement claim for "reverse confusion" based upon Respondents' brief use of the M2: MUSIC TELEVISION name and logo because, in deciding the likelihood of confusion issue, the District Court did not specifically consider Petitioner's use of the M2 mark in connection with Petitioners' distribution of interactive CD-ROMs. *Id.* at 33a-35a. No other claim was revived. *Id.*

On September 5, 2002, the Ninth Circuit issued a second opinion "clarifying" its initial decision. Supp. App. at 1a. This second opinion made clear that the January 20, 2002 decision revived only Petitioner's claim for federal trademark infringement based upon

Respondents' use of the M2: MUSIC TELEVISION name and logo because no other claims had been raised on appeal, and "thus any other claims were waived." *Id.*

After remand, the case was fully resolved in three rulings. First, on March 15, 2004, the District Court granted summary adjudication in favor of Respondent with respect to all monetary damage claims. App. at 30a. The Court ruled that Petitioner's "actual damage" claims failed because Petitioner did not adduce any evidence to support its claim that it was damaged as a result of the alleged infringement. *Id.* at 22a-26a. The Court rejected Petitioner's "reasonable royalty" claims as "improperly speculative" and unreasonable. *Id.* at 26a-27a. And the Court ruled that, because Respondents' allegedly infringing use of the M2: MUSIC TELEVISION name and logo from August 1996 through March 1999 was neither "willful" nor "in bad faith," Petitioner's claim for an award of Respondents' alleged profits on a theory of unjust enrichment was precluded as a matter of law, citing Ninth Circuit case law. *Id.* at 27a-29a.

Second, on August 9, 2004, the District Court granted summary adjudication against Petitioner with respect to its claim that the MTV2 logo also infringed on its M2 mark. Supp. App. at 26a-27a. The District Court ruled that this claim was waived because, in its July 27, 2000 decision, the District Court specifically ruled that there was no likelihood of confusion between the M2 mark and the MTV2

logo, and Petitioner did not raise this issue in its appeal of that decision. *Id.* at 21a.

Finally, on September 8, 2004, the District Court entered its final dispositive ruling. App. at 8a-12a. Adopting the terms of an injunction that Respondents proposed "as a compromise in an effort to resolve [the] matter, . . . without admitting any liability," the District Court permanently enjoined Respondents from "using the specific marks M2 or M2: MUSIC TELEVISION to identify any of [Respondents'] programming services or to identify any of [Respondents'] interactive multimedia products." *Id.* at 10a-11a. Disposing of all other claims, the Court entered a final judgment, as required under Federal Rule of Civil Procedure 77(d), adopting and incorporating its earlier orders granting summary adjudication against Petitioner. *Id.* at 8a.

On February 28, 2007, the Ninth Circuit affirmed the District Court's permanent injunction and final judgment in all respects material to the Petition.[4] App. 1a-7a. The Ninth Circuit affirmed the dismissal of all federal trademark infringement claims pertaining to

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[4] Because it was not sufficiently clear "whether [the] permanent injunction extended to [Respondents'] future use of the original [M2: MUSIC TELEVISION] logo," the Ninth Circuit remanded the case to the District Court to "clarify" the matter. App. at 6a-7a. On October 1, 2007, the District Court entered its Minute Order clarifying that, indeed, the permanent injunction does extend to the original M2: MUSIC TELEVISION logo. Supp. App. at 28a-29a.

the MTV2 logo, agreeing with the District Court that Petitioner "waived any challenge to the MTV2 logos by failing to raise the issue in its first appeal." *Id.* at 5a. Agreeing that "[n]o reasonable factfinder could conclude that [Petitioner] was entitled to any actual damages," the Ninth Circuit affirmed the District Court's dismissal of Petitioner's actual damage claim on the ground that Petitioner "has not produced any evidence of confusion between its [M2] mark and [Respondents'] mark." *Id.* at 2a-3a. The Ninth Circuit also affirmed the dismissal of Petitioner's claim for "reasonable royalties," finding that the claim "hinged upon," and thus had no merit independent of, Petitioner's claim for an award of profits based upon its theory of unjust enrichment. *Id.* at 4a.

Affirming the dismissal of Petitioner's claim for an award of profits, the Ninth Circuit made two significant rulings. First, the Ninth Circuit held that an award of profits could not be made because there was no evidence "from which a reasonable factfinder could conclude that [Respondents] willfully infringed [Petitioner's] trademark" and that, absent proof of willfulness or bad faith, an award of profit claim is precluded by the *per se* "equitable limitation upon the granting of monetary awards" for infringement described in *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993). *Id.* at 3a-4a. In addition, the Ninth Circuit rejected Petitioner's claim that the 1999 amendment to 15 U.S.C. §1117(a) required a contrary holding. *Id.* at 4a-5a. Rather, the Ninth Court held that the 1999 amendment was irrelevant

to its ruling because all of the allegedly infringing acts in issue occurred prior to the effective date of the 1999 amendment and must be governed by the law applicable before the amendment. *Id.*

LEGISLATIVE HISTORY

Before Congressional enactment of trademark laws, trademark rights were enforced in equity under the common law. Applying long-settled common-law principles of equity, this Court consistently held that, although infringement of a mark may be enjoined regardless of the infringer's intent, "an account of gains and profits" for infringement may not be required absent willful or "fraudulent" intent. *See Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42-43 (1900); *McLean v. Fleming*, 96 U.S. 245, 258 (1878).

Federal statutory protection of trademark rights first occurred when Congress passed the Trade-Mark Act of 1905 (the "1905 Act"). The 1905 Act provided basic legislation under which technical trademarks were registered and protected. Although the 1905 Act did not specify the intent required to obtain an award of actual damages or profits for infringement, *see* J.M. Koelemay, "Monetary Relief for Trademark Infringement Under the Lanham Act," 72 Trademark Rep. 458, 460 n.6 (1982), this Court continued to adhere to the common law rule that injunctive relief satisfies the equities of the case when "there has been no showing of fraud or palming off" and the likelihood of

actual damage or profit "seems slight." *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947).

In a complete rewrite of federal trademark legislation, the 1905 Act was superseded by the Lanham Act, 15 U.S.C. §§1051 et seq. (the "Act"), in 1946. As originally adopted, the Act protected trademark rights against only infringement (*i.e.*, likely or actual consumer confusion). The Act did not protect against trademark dilution. In addition, the Act did not expressly state the intent required to obtain an award of profits. Nevertheless, the Act was not silent as to the requisite intent. To the contrary, 15 U.S.C. §1117(a) made clear that a trademark owner could recover an infringer's profits "subject to the principles of equity," *id.*, and then-settled "principles of equity" dictated that an award of profits required proof of willful or "fraudulent" infringement. *See Saxlehner*, 179 U.S. at 42-43; *McLean*, 96 U.S. at 258; *accord Champion*, 331 U.S. at 131.

For more than 50 years after enactment of the Lanham Act, federal courts consistently applied the long-established common-law "principle of equity" that an account of gains and profits for trademark infringement may not be awarded absent willful, fraudulent, or bad faith misconduct. By making an award of profits expressly "subject to the principles of equity," §1117(a) plainly required the application of this *per se* rule. This interpretation also conforms to a well-established rule of statutory construction. As this Court recently reiterated, "a major departure from the long history of equity practice should not be

lightly implied," especially in the absence of statutory proof that "Congress intended such a departure." *eBay Inc. v. MercExchange, LLC*, ___ U.S. ___, 126 S. Ct. 1837, 1839 (2006).

In 1995, Congress expanded a trademark owner's protection rights beyond claims of infringement. Adopting the Federal Trademark Dilution Act ("the FTDA"), Congress amended 15 U.S.C. §1125 to protect against, and provide enforcement and compensation for, the "dilution" of famous marks. 15 U.S.C. §1125(c). Inasmuch as such rights did not exist under the common law, the FTDA expressly provided that, for statutory dilution claims, money damages could not be awarded unless the infringer "willfully intended to trade on the reputation of the famous mark" or "willfully intended" to harm the mark's reputation. *Id.*

Contrasting the FTDA's express requirement of "willful intent" with the Lanham Act's silence regarding the intent required to obtain award of profits for trademark infringement, legal commentators began to speculate that adoption of the FTDA evidenced Congressional intent to dispel the existing *per se* rule that a defendant's profits could not be awarded absent proof of intentional or bad faith infringement. Despite these purely theoretical musings, federal appellate courts decisions continued to adhere to Supreme Court precedent holding that an award of profits may not be awarded against innocent or good faith infringers.

In 1999, the Lanham Act was amended again. Although most of the changes focused upon the requirements for proving a dilution claim under the FTDA, §1117(a) was also amended ("the 1999 Amendment"). Effective August 5, 1999, the 1999 Amendment amended the first sentence of §1117(a) by striking "a violation under section 1125(a) of this title [infringement]," and inserting "a violation under section 1125(a) of this title [infringement], or a willful violation under section 1125(c) of this title [dilution]." PL 106-43, 113 Stat. 218, 219 (Aug. 5, 1999).

Although an award of an infringer's profits under §1117(a) remains "subject to principles of equity," every federal appellate court to consider the effect of the 1999 Amendment has held that it clearly evidences the intent of Congress to permit an award of profits for federal trademark infringement without regard to the *per se* rule requiring willful or bad faith infringement. *See Quick Tech., Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002); *Banjo Buddies, Inc. v Renosky*, 399 F.3d 168 (3d Cir. 2005); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006) (collectively, the "1999 Amendment Cases").

REASONS FOR DENYING THE WRIT

I. Because Petitioner's Claim For An Award Of Respondent's Alleged Profits Is Based Upon Conduct Occurring Only Prior To The 1999 Amendment, There Is No Substantial And Recurring Conflict Between Circuit Court Opinions

The conflict between Circuit Court opinions alleged in the Petition is largely illusory and certainly not worthy of this Court's consideration.

Effective August 5, 1999, the 1999 Amendment modified the first sentence of §1117(a) to distinguish between a monetary claim for trademark infringement, which requires only "a violation," and a monetary claim for dilution, which requires "a willful violation." Because this case concerns only infringing acts allegedly occurring before August 5, 1999, the Ninth Circuit correctly held that cases interpreting the effect of the 1999 Amendment have no relevance to this matter, and Petitioner has not sought review from that particular determination. Instead, Petitioner asks the Court to reconcile a split of Circuit Court case law that supposedly predates the 1999 Amendment. Disregarding the 1999 Amendment Cases, it is clear that no such substantial or recurring conflict exists.

For more than one century, this Court has held firm to its rule that a grant of a writ of certiorari shall involve only matters "of importance to the public, as distinguished from that of the parties," or

"cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals." *Layne & Bowler Corp. v. W. Well Works*, 261 U.S. 387, 393 (1923).

Petitioner attempts to create an inference that a real and embarrassing conflict of opinion exists among federal appellate court opinions deciding whether willfulness is required to order an award of profits under §1117(a) for trademark infringement. To do so, Petitioner relies primarily upon the 1999 Amendment Cases, which uniformly held that the 1999 Amendment Cases, which uniformly held that the 1999 Amendment altered the preexisting *per se* rule that willfulness is required for an accounting of an infringer's profits in a trademark infringement action. In this case, however, Respondents voluntarily ended all use of the M2: MUSIC TELEVISION name and logo in March 1999, before the 1999 Amendment became effective August 5, 1999. Thus, as the Ninth Circuit held, Respondents' conduct must be considered based upon the case law applying §1117(a) before the 1999 Amendment took effect.

In cases involving allegedly infringing conduct occurring before August 5, 1999, the Circuit Courts almost uniformly followed the *per se* rule that an accounting for trademark profits cannot be awarded absent "willful" or "bad faith" infringement. *See, e.g.*, *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996) ("In order to recover an accounting or an infringer's profits, a plaintiff must prove that the infringer acted in bad

faith"); *Nalpac, Ltd. v. Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986) ("an accounting, the proper remedy when bad faith is shown, is inappropriate where 'there has been no showing of fraud or palming off' "); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242 (8th Cir. 1994) (an award of defendant's profits requires "willful, deliberate infringement or deception"); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993) (award of profits requires "willful infringement"); *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220 (10th Cir. 1998) (an award of profits requires proof that "defendant's actions were willful or in bad faith"); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 95, 202 (D.C. Cir. 1990) ("an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith").

Although Petitioner claims that the Third, Fifth Seventh and Eleventh Circuits applied a different rule, this conflict is manufactured. With respect to infringing conduct occurring before the 1999 Amendment took effect, the Third and Fifth Circuits expressly required willfulness or bad faith as a condition to an award of profits for trademark infringement, and the Eleventh Circuit appears to have applied the same rule for an award of profits under a theory of unjust enrichment, which is the particular accounting-for-profits claim in this case. *See Secura-Comm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999) (holding that "a plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable"); *Pebble Beach Co.*

v. Tour 18 I Ltd., 155 F.3d 526, 555 (5th Cir. 1998) (absent "an intent to confuse or deceive, injunctive relief satisfies the equities" in a case for federal trademark infringement); *Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1182 (11th Cir. 1994) ("Where the defendant's infringement is deliberate and willful . . . , an accounting for profits is proper under a theory of unjust enrichment").

The Seventh Circuit decisions predating the 1999 Amendment also do not evidence a "real or embarrassing conflict" of appellate case law. The Seventh Circuit decision that supposedly rejected the *per se* rule of willfulness is *Ruolo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (7th Cir. 1989). In that case, the Seventh Circuit stated that "there is no express requirement [in the Lanham Act] . . . that the infringer willfully infringe . . . to justify an award of profits" *Id.* at 941. Nevertheless, that statement was purely dicta, as the Seventh Circuit in *Ruolo* noted that the defendant was an intentional infringer and that plaintiff claimed damages based upon its "actual losses rather than on defendant's profits." *Id.* Indeed, nothing in *Ruolo* justifies dispensing with the *per se* rule that an award of profits for federal trademark infringement must be based upon willful or bad faith misconduct. Likewise, considering every case repeating *Ruolo*'s dicta, none of them affirms an award of an infringer's profits against a non-willful or bad faith infringer.

Because all of Respondents' allegedly infringing conduct occurred prior to the 1999 Amendment, the

Petition should be denied for the additional reason that Petitioner cannot show a potentially recurring conflict. Decisions whether to award an infringer's profits based upon infringing conduct occurring after the 1999 Amendment necessarily must consider the effect of the 1999 Amendment. Assuming, *arguendo*, that a conflict of appellate court opinions did exist prior to the 1999 Amendment, that conflict effects, at most, only a few pending federal court cases in which the defendant's alleged infringement occurred prior to the 1999 Amendment. That certainly does not implicate a matter of "public importance," distinct from the parties, as would merit granting a writ.[5] *Layne*, 261 U.S. at 393.

II. Petitioner Has Not Shown An Actual Or Potential Conflict Among Appellate Court Opinions Applying The 1999 Amendment.

A principal purpose for which this Court uses its certiorari jurisdiction "is to resolve conflicts among

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[5] Just two terms ago, the Court was presented with essentially the same question arising from the same Circuit Court. In *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, No. 04-1693, the plaintiff-petitioner sought for review of the Ninth Circuit's decision in that case applying the *per se* rule prohibiting an award of the defendant's profits based upon infringing acts occurring prior to the 1999 Amendment. The *Contessa* petitioner argued that a writ was necessary to resolve a conflict of appellate court decisions applying §1117(a) to claims for infringer profits in federal trademark cases. The Court denied the petition. 546 U.S. 957 (2005). It should do the same in this case.

the United States courts of appeals. . . . concerning the meaning of provisions of federal law." *Braxton v. U.S.*, 500 U.S. 344, 347-349 (1991). However, "Congress itself can eliminate a conflict concerning a statutory provision by making a clarifying amendment to the statute," and where subsequent Congressional acts have been undertaken "that will eliminate circuit conflict," a writ of certiorari should not be granted. *Id.*

In this case, the 1999 Amendment is Congressional action that appears to have eliminated any alleged conflict among appellate court opinions. With respect to infringing acts allegedly occurring after the 1999 Amendment, every reported federal appellate court opinion that has considered the effect of the 1999 Amendment has held that the 1999 Amendment evidences Congressional intent to dispense with the *per se* rule that "willfulness" or "bad faith" is required for an award of profits under §1117(a).

In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), the Fifth Circuit decided the matter first. Relying upon the Congressional intent that it found to be evidenced by the 1999 Amendment, the Fifth Circuit "decline[d] to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits" in favor of a "factor-based approach" under which "willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate" for trademark infringement. *Id.* at 349. Notably, the Fifth Circuit

cautioned that, because "there were no references to the term 'willful' in §1117(a)" before the 1999 Amendment, federal court appellate opinions applying §1117(a) to infringements occurring before the 1999 Amendments are of "limited utility" in determining whether an accounting of profits for a trademark violation currently requires a willful or bad faith infringement. *Id.* at 348.

In *Banjo Buddies, Inc. v Renosky*, 399 F.3d 168 (3d Cir. 2005), the Third Circuit adopted the Fifth Circuit's "factor-based approach" for determining "whether an accounting of profits is appropriate" for trademark infringement. *Id.* at 175. As did the Fifth Circuit, the Third Circuit held that "[b]y adding th[e] word [willful] to the statute in 1999, but limiting it to [§1125(c)] [dilution] violations, Congress effectively superseded the willfulness requirement applied to [§1125(a)] [trademark infringement violations]." *Id.* at 174.

Finally, in *Synergistic International LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006), the Fourth Circuit joined the Third and Fifth Circuits in holding that, "although willfulness is a proper and important factor in an assessment of whether to make a damages award [under §1117(a)], it is not an essential predicate thereto." *Id.* at 175. As the Fourth Circuit explained, "[i]n light of . . . [the 1999 Amendment], . . . willfulness is not an essential prerequisite for a damages award" for a trademark infringement

violation, although "it remains a highly pertinent factor."[6] *Id.* at 175 n.13.

Likewise, the other cases cited in the Petition fail to evidence a serious or real conflict of Circuit Court opinions. Most of the decisions cited by Petitioner were decided before the enactment of the 1999 Amendment, and those cannot establish a current conflict. Moreover, the two cases that were decided after the 1999 Amendment – *Western Diversified Services, Inc. v. Hyundai Motor America, Inc.*, 427 F.3d 1269 (10th Cir. 2005), and *Kassbaum v. Steppenwolfe Productions, Inc.*, 236 F.3d 487 (9th Cir.

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[6] Recent federal district court opinions follow the above rulings and further show that a substantial conflict among federal case law does not currently exist. This includes decisions of District Courts in the Second, Eighth and Ninth Circuits. *See, e.g., Nike, Inc. v. Top Brand Co., Ltd.*, 2005 WL 1654859, *10 (S.D.N.Y. July 13, 2005) ("Without reason to believe that the Congress intended to preserve the Second Circuit rule that preceded the 1999 [A]mendment," finding that "the plain language of the statute should govern" and that a showing of "bad faith or intentional misconduct" is not required "to recover profits for [trademark] infringement"); *Wildlife Research Center, Inc. v. Robinson Outdoors, Inc.*, 409 F. Supp. 2d 1131, 1136 (D. Minn. 2005) (despite Eighth Circuit precedent requiring "willfulness" for an accounting of profits for trademark violations, agreeing with the Third and Fifth Circuit decisions that the 1999 Amendment "removes any willfulness requirement for claims based on false or misleading advertising"); *R & R Partners, Inc. v. Tovar*, 2007 WL 1202802, *1 (D. Nev. April 23, 2007) (agreeing with the Third Circuit in *Banjo Buddies* that the "plain language" of the 1999 Amendment "effectively superseded the willfulness requirement" for trademark infringement claims).

2000) – concern only infringing conduct occurring *before* the 1999 Amendment. *See Western Diversified*, 427 F.3d at 1271; *Kassbaum*, 236 F.3d at 490. Because no current conflict exists among opinions of the federal appellate courts on the issue framed by Petitioner, the writ should be denied.

III. The Discretionary Decision Of The Ninth Circuit To Apply A *Per Se* Rule In This Case Followed Established Supreme Court Precedent.

Even assuming, *arguendo*, that the Ninth Circuit's decision in this case evidences a conflict of Circuit Court decisions deciding when an accounting for profits may be awarded for allegedly infringing conduct occurring before the 1999 Amendment, the circumstances of this case do not warrant review. Regardless of dicta appearing in any other Circuit Court opinion, the Ninth Circuit's decision to reject Petitioner's claims for Respondent's alleged profits merely adheres to this Court's precedent.

Since its adoption in 1946, the Lanham Act has provided, pursuant to §1117(a), that an accounting of defendant's profits for trademark infringement will be awarded upon proof of defendant's infringement "subject to the principles of equity." 15 U.S.C. §1117(a). Although the Lanham Act does not define these "principles of equity," decisions of this Court do. One such principle recognized by this Court is the *per se* rule that an award of profits for trademark

infringement requires proof of willful or bad faith misconduct. In *McLean v. Fleming*, 96 U.S. 245 (1878), applying federal common law equitable principles, this Court held that, absent fraudulent intent, "an account of gains and profits [for trademark infringement] . . . is constantly refused" "even where the right of the party to an injunction is acknowledged because of an infringement," or when "the facts proved render it proper to grant an injunction to prevent future infringement." *Id.* at 258. Likewise, in *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42 (1900), this Court held that, under federal common law, an "innocent" or "good faith" trademark infringer may be enjoined from further infringement, but "not be required to account for gains and profits." *Id.* at 42-43.

Inasmuch as the Ninth Circuit merely followed established Supreme Court precedent to decide which "principles of equity" govern a §1117(a) request for profits in trademark infringement case, no "compelling reason" for review is shown. By its terms, §1117(a) conveys discretion upon the federal courts to decide when to award profits for trademark infringement. In this case, the Ninth Circuit was certainly well within its discretion to enforce a *per se* rule limiting an award of profits to cases in which the allegedly infringing acts were willful or in bad faith. The *per se* rule applied by the Ninth Circuit in this case is the very same *per se* rule that this Court uniformly applied when deciding trademark infringement cases in equity under the common law.

It is also the same *per se* rule applied almost uniformly in Circuit Court opinions deciding whether a defendant's profits could be awarded under §1117(a) for allegedly infringing acts occurring before the 1999 Amendment took effect. And as a matter of federal court discretion, the Ninth Circuit's decision to apply a *per se* rule in this case is clearly not one in which the Circuit Court "has so far departed from the accepted and usual course of judicial proceedings . . . as to call for an exercise of this Court's supervisory power." S. Ct. R. 10(a). Under the circumstances of this case, no compelling reason warrants granting a writ.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

M2 SOFTWARE INC., a corporation, Plaintiff-Appellant, v. VIACOM INC., a corporation, et al., Defendants-Appellees.	No. 00-56426 D.C. No. CV-98-08734-RAP Central District of California, Los Angeles ORDER (Filed Sep. 5, 2002)

Before: PREGERSON, REINHARDT and SILVERMAN, Circuit Judges.

We GRANT the parties' joint request for clarification of the court's January 30, 2002 memorandum disposition as follows: We reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986). The motion to withdraw the mandate is DENIED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

M2 SOFTWARE, INC., Plaintiff, v. VIACOM, INC., et al., Defendants.	CASE NO. CV 98-8734 AHM (Mcx) **ORDER GRANTING DEFENDANTS' MOTION FOR SUMMARY ADJUDICATION RE "MTV2"** (Filed Aug. 9, 2004)

This matter is before the Court on Defendants' "Motion for Summary Adjudication With Respect to the MTV2 Mark and Logo and For an Award of Attorneys' Fees." Defendants base their motion on five main arguments: (1) that Plaintiff waived its claim regarding MTV2 by encouraging Defendants to use that mark and by failing raise the issue on appeal; (2) that the MTV2 logo predates Plaintiff's mark according to the doctrine of tacking; (3) that the addition of the number "2" to Defendants' MTV mark is merely descriptive; (4) that MTV2 constitutes classic fair use; and (5) that there is no likelihood of confusion between the MTV2 logo and Plaintiff's M2 mark. The Court agrees with Defendants on their waiver and estoppel by acquiescence arguments and finds it unnecessary to address the remaining possible grounds for summary adjudication. For the reasons discussed below, the Court GRANTS Defendants' Motion for Summary Adjudication.

PROCEDURAL HISTORY

In July 2000, Judge Richard Paez granted summary judgment to Defendants, holding that Plaintiff's "RLMS system [Record Label Management System] is not related to defendants' M2: Music Television, there is no likelihood of confusion between [sic] the source of the twc products . . . [and] defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise." *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061, 1072 (CD. Cal. 2000) ("Judge Paez's Order").

In an unpublished memorandum disposition, the Ninth Circuit reversed Judge Paez's Order and remanded the case for trial. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). The Ninth Circuit held that Plaintiff's trademark encompassed several CD-ROMs in addition to the RMLS system and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology." *Id.* at 712.

The Ninth Circuit later clarified its memorandum, stating that it was only addressing the federal trademark infringement claim because that was the only portion of Judge Paez's Order that Plaintiff had raised on appeal. Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A. Thus, the

only remaining cause of action is the Lanham Act claim for trademark infringement on a theory of reverse confusion. 15 U.S.C. § 1114.

On March 12, 2004, this Court granted Defendants' Motion for Summary Adjudication of Issues as to Damages and Attorneys' Fees, but denied Defendants' Motion for Summary Judgment because injunctive relief was not moot. The Court's Order only addressed Defendants' use of "M2: Music Television" and did not find it necessary to rule on the availability of relief regarding Defendants' current MTV2 logo. Order Denying Defs.' Mot. for Summ. J. and Granting Partial Summ. Adjudication (Mar. 12, 2004), 6 n.3.

At the Court's suggestion, the parties attempted to enter into a stipulated permanent injunction regarding Defendants' use of M2: Music Television. Defendants proposed a permanent injunction providing, in relevant part:

> 4. Solely as a compromise in an effort to resolve this matter, Defendants agree, without admitting any liability, not to use the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products; and
>
> 5. Defendants expressly reserve the right to use any and all other names, marks, and logos including, but not limited to, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the MTV2 logo attached

> as Exhibit 1. Defendants further reserve the right to change the name of their programming service at any time to any name other than M2: MUSIC TELEVISION.

Decl. of Larry W. McFarland in Supp. of Defs.' Mot. to Resubmit Their Previously Acted Upon Mot. for Summ. J. or, in the Alternative, Mot. for Reconsideration Re Summ. J; Exh. 1. Plaintiff would not sign this proposed injunction because "if agreed to by Plaintiff, [it] would constitute Plaintiff's complete and conclusive abandonment of all issues concerning the 'M$_{TV}$2' logo currently being used by Viacom." Pl.'s Opp'n to Mot. to Resubmit Mot. for Summ. J., 4:8-16. Defendants' "Motion to Resubmit Their Previously Acted Upon Motion for Summary Judgment or, in the Alternative, Motion for Reconsideration Re: Summary Judgment," essentially sought rulings that injunctive relief regarding M2: Music Television is moot in light of the proposed permanent injunction and that Plaintiff has no claim regarding MTV2 (arguing waiver, tacking, descriptive use, and fair use). The Court denied Defendants' motion on June 16, 2004, instead inviting Defendants to file a separate summary adjudication motion regarding MTV2 so that the parties and Court would have a complete record on the issue.

FACTUAL BACKGROUND

The Court and the parties are already familiar with the facts of this case based on Plaintiff's December 1998 motion for a preliminary injunction and the two previous summary judgment motions and the

Court need not recount them except as they may bear upon the analysis of this motion.

Defendants changed their logo from M2: Music Television to MTV2 in March 1999 after Judge Paez denied M2's motion for a preliminary injunction. From March 1999 through the present, Defendants have changed their MTV2 logo three times. The three iterations, which the Court will refer to as logos I, II, and III, are as follows:

- Logo I
- Logo II
- Logo III

The following time line sets forth the significant events relating to Defendants' use of the MTV2 mark:

DATE	EVENT	CITE
3/28/98	Plaintiff's counsel sends Defendants a cease and desist letter regarding Defendants' use of the M2: Music Television mark. The letter states: "M2 Software is prepared to allow MTV a commercially reasonable time to effect a transition to a different mark – MTV2 makes obvious sense and would not cause the same harm – but MTV must start taking steps now."	Statement of Undisputed Facts and Conclusions of Law ("SUF"), ¶ 4

10/28/98	Plaintiff files Complaint implying that "MTV2" would not infringe: "Plaintiff M2 again assumed that Viacom was instead formulating a new name, such as the 'MTV2' name which Plaintiff's legal counsel had suggested to Viacom in Plaintiffs second letter."	Compl. ¶ 23; SUF ¶ 7.
1/4/99	At the hearing on Plaintiff's motion for a preliminary injunction, Plaintiffs counsel states, "what's going to happen is they're going to change the name over to what people would normally expected, the MTV 2, or whatever other name."	SUF ¶ 8
1/27/99	Judge Paez denies Plaintiff's motion for preliminary injunction, holding that while Plaintiff had shown a likelihood of success on the merits, it unnecessarily delayed in seeking injunctive relief, thereby rebutting any presumption of irreparable harm.	Docket

3/18/99	Defendants change name of their programming from M2: Music Television to MTV2	Caplan Decl., Exh. 7, 87:10-88:7
5/99	Plaintiff's President testified that on this date he first became aware of MTV2 logo I	Escamilla Decl., ¶ 17
5/4/99	Plaintiff's counsel sends Defendants a letter stating: "While we are pleased that defendants have decided to transition away from using M2 and toward using MTV2 (a recommendation that plaintiff made to your clients long before this litigation ensued), we do not believe that we can bring an end to the litigation unless and until defendants compensate M2 Software, Inc. for its damages."	SUF ¶ 9
5/?/99	Defendants change to a different MTV2 logo, although it is not clear whether it is logo II or logo III.	Defs.' Mot., 7:10

8/3/99-9/22/99	Plaintiff takes depositions of six of Defendants' representatives, asking questions regarding the new MTV2 logo, among other topics. For example, in the deposition of Eric Sherman, director of operations for MTV2, Plaintiff's counsel asks: Q: Would you agree with me that the number 2 is perhaps twice as large as the letters T and V? A: Yes.	SUF ¶¶ 12-13; Caplan Decl., Exh. 7 (Sherman Depo.), 91:10-17.
10/4/99	Plaintiff files Opposition to Defendants' first motion for Summary Judgment before Judge Paez ("Paez Opp'n"), analyzing the *Sleekcraft* factors.	SUF ¶ 15
	In Plaintiff's discussion of the fourth factor, actual confusion, Plaintiff argues that a Stanford student was confused even after Defendants changed to MTV2: "Defendants seek to diminish the import of Yaconelli's confusion by claiming that the ... advertisement ran after	Paez Opp'n, 16 n.21

	they allegedly changed the name of their channel from M2 to MTV2. If anything, this demonstrates the magnitude and success of Defendants' advertising efforts. Even months after they have allegedly abandoned the M2 mark, the public still associates the mark with Defendants."	
	In Plaintiff's discussion of the seventh factor, Defendants' intent, Plaintiff argues that Defendant should have chosen to use MTV2, "the non-infringing alternative," from the beginning.	Paez Opp'n, 19:22-26
	In Plaintiff's discussion of the eighth factor likelihood of expansion of the product lines, Plaintiff argues for the first time in a footnote: " . . . the new MTV2 logo, particularly with its dominant features of 'M' and '2' (and subordinate feature 'tv') still causes a likelihood of confusion, especially following on the heels of two-and-a-half years of infringement of Plaintiff's M2® mark."	SUF ¶ 15; Paez Opp'n, 20 n.26.

5/00	Plaintiff's President testified that on this date he first became aware of MTV2 logo II	Escamilla Dec., ¶ 18
7/27/00	Judge Paez grants summary judgment to Defendants, holding that no reasonable jury could find a likelihood of confusion between Plaintiff's mark and M2: Music Television. The order does not discuss MTV2; the introduction merely states that "[f]ollowing the denial of the preliminary injunction, defendants changed the logo of their new programming service from 'M2: Music Television' to 'MTV 2.'"	*M2 Software, Inc., v. Viacom, Inc.*, 119 F. Supp. 2d 1061 (C.D. Cal. 2000)
1/10/01	Plaintiff files Opening Brief with the Ninth Circuit concerning M2: Music Television. Plaintiff does not raise the MTV2 issue. In the portion discussing the eighth *Sleekcraft* factor (likelihood of expansion of product lines), Plaintiff states: "The District Court gave no consideration	SUF ¶ 17

	whatsoever to this factor, saying that it considered it, 'moot, because [Viacom has] stopped using the M2 mark in its programming service.' But, there still existed the issue of whether Viacom had ever *in the past* infringed the M2® mark by attaching an identical 'M2' mark to a product falling squarely within M2's 'natural zone of expansion.' This question was left unanswered by the District Court."	
6/01	Plaintiff's President testified that on this date he first became aware of MTV2 logo III	Escamilla Decl., ¶ 19
11/5/01	In oral argument before the Ninth Circuit, when asked what the remedy would be for infringement, Plaintiff's counsel answered: " . . . actual damage is one component, defendants' profits are another component of it . . . we are also entitled to reasonable royalty that we can prove through a preponderance of the evidence	SUF ¶ 18.

	for the use of the mark during this period of time from August 1, 1996 through the time that they abandoned it in uh beginning of 1999 um that there was an infringement period." Plaintiff does not argue that Defendants' use of "MTV2" continues to infringe.	
1/30/02	Ninth Circuit reverses Judge Paez, holding that he should have considered Plaintiff's CD-ROMs and that "M2 Software has brought forth sufficient evidence that 'would permit a rational fact-finder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark) in connection with Intel's Intercast Technology."	*M2 Software, Inc., v. Viacom, Inc.*, 30 Fed. Appx. 710, 712 (9th Cir. 2002)
9/5/02	Ninth Circuit provides clarification of its 1/30/02 Order, stating: "We reversed the grant of summary judgment only on	Joint Status Report Re Ninth Circuit's Order (Sept., 24, 2002), Exh. A

	M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986)."	

SUMMARY JUDGMENT STANDARD

Federal Rule of Civil Procedure 56(c) provides for summary judgment when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The moving party bears the initial burden of demonstrating the absence of a "genuine issue of material fact for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). A fact is material if it could affect the outcome of the suit under the governing substantive law. *Id.* at 248. The burden then shifts to the nonmoving party to establish, beyond the pleadings, that there is a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

"When the party moving for summary judgment would bear the burden of proof at trial, it must come forward with evidence which would entitle it to a

directed verdict if the evidence went uncontroverted at trial. In such a case, the moving party has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transp. Brokerage Co., Inc. v. Darden Rest, Inc.*, 213 F.3d 474, 480 (9th Cir. 2000) (citations omitted). In contrast, when the nonmoving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence from the nonmoving party. The moving party need not disprove the other party's case. *See Celotex*, 477 U.S. at 325. Thus, "[s]ummary judgment for a defendant is appropriate when the plaintiff 'fails to make a showing sufficient to establish the existence of an element essential to [his] case, and on which [he] will bear the burden of proof at trial.'" *Cleveland v. Policy Mgmt. Sys. Corp.*, 526 U.S. 795, 805-06 (1999) (*citing Celotex*, 477 U.S. at 322).

When the moving party meets its burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). Summary judgment will be entered against the nonmoving party if that party does not present such specific facts. *Id.* Only admissible evidence may be considered in deciding a motion for summary judgment. *Id.*; *Beyene v. Coleman Sec. Serv., Inc.*, 854 F.2d 1179, 1181 (9th Cir.1988).

"[I]n ruling on a motion for summary judgment, the nonmoving party's evidence 'is to be believed, and all justifiable inferences are to be drawn in [that party's] favor.'" *Hunt v. Cromartie,* 526 U.S. 541, 552 (1999) (quoting *Anderson,* 477 U.S. at 255). But the nonmoving party must come forward with more than "the mere existence of a scintilla of evidence." *Anderson,* 477 U.S. at 252. Thus, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.,* 475 U.S. 574, 587 (1986) (citation omitted).

DISCUSSION

I. Waiver of Issues

Defendants argue that Plaintiff's counsel's May 4, 1999 letter waived any arguments it may have had regarding MTV2, which was reinforced by Plaintiff's failure to raise the MTV2 issues on appeal to the Ninth Circuit. Plaintiff, on the other hand, contends that it did not waive its right to challenge Defendants' use of MTV2 because the Ninth Circuit reversed Judge Paez's order granting summary judgment as to Plaintiff's trademark claim. Pl.'s Opp'n, 13:17-14:9.

A. Appellate Waiver

Generally, an issue will be considered on appeal only if it was properly preserved for appeal in the

district court and if the issue is "specifically and distinctly" raised and argued in the opening appellate brief. *Singleton v. Wulff,* 428 U.S. 106, 120 (1976); *Indep. Towers of Wash. v. Wash.,* 350 F.3d 925, 929-30 (9th Cir. 2003) ("*ITOW*") (citations omitted); Fed. R. App. P. 28(a)(9)(A). Any issue that the appellant fails to argue on appeal is waived. *Arpin v. Santa Clara Valley Transp. Agency,* 261 F.3d 912, 919 (9th Cir. 2001). If the appellant is challenging the district court's grant of summary judgment and the opening "brief attacks only one of several bases of [the] district court decision, appellant is deemed to have waived the right to challenge the alternative bases of the decision." Goelz & Watts, *Rutter Group Practice Guide: Federal Ninth Circuit Civil Appellate Practice* § 8:315 (The Rutter Group 2003); *see, e.g., MacKay v. Pfeil,* 827 F.2d 540, 542 (9th Cir. 1987).

B. Application to This Case

1. Proceedings Before Judge Paez

On October 4, 1999, Plaintiff filed a brief opposing summary judgment, arguing that Judge Paez should not grant summary judgment to Defendants because a reasonable jury could find a likelihood of confusion between M2 and M2: Music Television. In its *Sleekcraft* analysis, Plaintiff explained that even though Defendants had changed their logo to MTV2, actual confusion still existed:

> Defendants seek to diminish the import of Yaconelli's confusion by claiming that the . . .

> advertisement ran after they allegedly changed the name of their channel from M2 to MTV2. If anything this demonstrates the magnitude and success of Defendants' advertising efforts. Even months after they have allegedly abandoned the M2 mark, the public still associates the mark with Defendants.

Paez Opp'n, 16 n.21. This language could reasonably be construed to show that Plaintiff's focus was on "M2: Music Television." To be sure, however, Plaintiff also argued that the likelihood of expansion factor weighed in its favor, explaining that:

> . . . the new MTV2 logo particularly with its dominant features of "M" and "2" (and subordinate feature "tv") still causes a likelihood of confusion especially following on the heels of two-and-a-half years of infringement of Plaintiff's M2® mark.

Id. at 20 n.26.

Judge Paez did not expressly address these arguments regarding MTV2, but he did grant summary judgment to Defendants, holding that no reasonable jury could find a likelihood of confusion between the parties' marks. Judge Paez found that five out of the eight *Sleekcraft* factors weighed in favor of Defendants, including actual confusion and the likelihood of expansion, the two factors in relation

to which Plaintiff made the MTV2 arguments. *See M2 Software,* 119 F. Supp. 2d at 1070.[1]

2. Proceedings on Appeal

Although Plaintiff arguably raised the MTV2 issue at the district court level, Plaintiff subsequently waived the issue by failing to "specifically and distinctly" raise it in its Opening Brief before the Ninth Circuit. *ITOW,* 350 F.3d at 929. On appeal, Plaintiff argued that Judge Paez should not have granted summary judgment because the M2 trademark

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[1] Plaintiff suggests that Judge Paez's ruling could not have encompassed the MTV2 issues because the parties and Judge Paez did not know of MTV2 logos II and III. Pl.'s Opp'n, 13:22-26. There is no support for this contention. First, even if it were true that only logo I was known at the time, Plaintiff's consumer confusion/"dominant M and 2" argument regarding logo I is the *same argument* it now makes in relation to MTV2 logo III. *See* Pl.'s Opp'n, 6:12-15, 9:13-21. Second, there is little difference between the three MTV2 logos – all contain the MTV logo with a block numeral 2 of approximately equal size to the MTV logo. The main differences between the logos are whether the MTV and numeral two are arranged vertically or horizontally, whether the MTV logo is encompassed in a circle, and whether the MTV is black or white. Third, there is simply no support for Plaintiff's argument that it only knew of logo I at the time of Judge Paez's summary judgment. During Plaintiff's August 3, 1999 deposition of Eric Sherman, MTV2 director of operations, counsel asked questions regarding "what we believe to be the new MTV2 logo." Caplan Decl., Exh. 7 (Sherman Depo.), 90:13-15. It is clear that Plaintiff's counsel was referring to either logo II or logo III because counsel refers to a vertical line separating the MTV logo and the numeral 2, not a horizontal line like logo I used. Id. at 90:13-91:9.

applies to its CD-ROMs in addition to its RMLS software and because "Viacom's use of the M2 mark created a likelihood of confusion." *M2 Software,* 30 Fed. Appx. at 712. It is not clear what specific arguments Plaintiff made in favor of overturning Judge Paez's *Sleekcraft* analysis or whether it may have simply been premised on his failure to include the CD-ROMs in that analysis. The Ninth Circuit's Memorandum never refers to the "MTV2" logo; it only speaks of the "M2: Music Television" logo. Plaintiff did not argue on appeal that Judge Paez's likelihood of confusion analysis was erroneous because it failed to address Plaintiff's arguments regarding actual confusion or a likelihood of expansion based on Defendants' use of the MTV2 logo. In fact, Defendants have demonstrated that Plaintiff me rely argued that Judge Paez erred only in the following manner:

> The District Court gave no consideration whatsoever to [the likelihood of expansion] factor, saying that it considered it, 'moot, because [Viacom has] stopped using the M2 mark in its programming service.' But, there still existed the issue of whether Viacom had ever *in the past* infringed the M2® mark by attaching an identical 'M2' mark to a product falling squarely within M2's 'natural zone of expansion.' This question was left unanswered by the District Court.

SUF ¶ 17 (emphasis added). Plaintiff argued that Judge Paez should have found that Defendants had used the "M2: Music Television" mark on a product within Plaintiff's zone of expansion, not that Judge

Paez should have also found that the infringement was ongoing through Defendants' use of the "MTV2" logo. Thus, Plaintiff waived its arguments here regarding MTV2 by failing to raise them as an alternative basis for reversing Judge Paez's grant of summary judgment.[2] *See MacKay,* 827 F.2d at 542; *see also* Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A (Ninth Circuit clarification) (claims not "specifically and distinctly argued" are waived).

3. Conclusion

Plaintiff's failure to raise its arguments regarding MTV2 on appeal is sufficient on its own to mandate summary adjudication for Defendants. Nonetheless, the Court will address Defendants' contentions regarding acquiescence to provide guidance to the parties and facilitate resolution of this case.

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[2] The Court's conclusion that Plaintiff waived its arguments regarding "MTV2" is also supported by the Ninth Circuit oral arguments. Plaintiff referred to Defendants' pre-1999 logo as the basis for damages. SUF ¶ 18. Plaintiff now argues that this remark is taken out of context and the MTV2 infringement issue was still alive since Plaintiff only referred to the pre-1999 conduct as "*an* infringement period." (emphasis added). Statement of Genuine Issues ("SGI") ¶ 18. Plaintiff does not, however, provide any other portions of the oral appellate argument that put that statement in context or that show Plaintiff did raise the MTV2 issue.

II. Estoppel by Acquiescence

Defendants also argue that Plaintiff is estopped from arguing that the MTV2 logo infringes its M2 mark because it actively encouraged Defendants to use MTV2 and then delayed in asserting its claims against MTV2. Plaintiff, on the other hand, contends that it only encouraged Defendants to use an MTV2 logo with letters of equal size and that it did not delay in asserting its rights once it became aware of Defendants' MTV2 logo that uses a dominant "M" and dominant "2."

A. Legal Standard

Estoppel by acquiescence is an equitable defense to a claim of trademark infringement. *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1294 (9th Cir. 1992). Acquiescence applies "in those cases where the trademark owner, by affirmative word or deed, conveys its implied consent to another." 5 *McCarthy on Trademarks and Unfair Competition* § 31:41 (4th ed. 2004). The accused infringer must prove three elements to establish estoppel by acquiescence: "(1) the senior user actively represented that it would not assert a right or claim; (2) the delay between the active representation and assertion of the right or claim was not excusable; and (3) the delay caused the defendant undue prejudice." *SunAmerica Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1334 (11th Cir. 1996). The first element is satisfied by "conduct on the plaintiff's part that amounts to an

assurance to the defendant, express or implied, that the plaintiff would not assert his trademark rights against the defendant." *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic and Sports Physical Therapy P.C.*, 314 F.3d 62, 68 (2nd Cir. 2002) (quotes and citations omitted). Acquiescence does not extend, however, "to a use that has not yet materialized and is not foreseeable." *Id.* at 69.

B. Application to This Case

First, Plaintiff actively represented that it would not assert a claim against Defendants' use of MTV2 on at least four occasions before it waived the issue on appeal. SUF ¶ 4 (Mar. 28, 1998 cease and desist letter), ¶ 7 (Compl. ¶ 23), ¶ 8 (Jan. 4, 1999 preliminary injunction hearing), ¶ 9 (May 4, 1999 letter). Plaintiff argues that it never suggested that Defendants' MTV2 logos were acceptable and that it merely proposed that Defendants use 'MTV2' – all capitals and all the same size." Pl.'s Opp'n, 11:9-15. Essentially, Plaintiff contends that it could not consent to an MTV2 logo that it had not seen or anticipated. None of Plaintiff's representations, however, contains any limitation regarding letter size and it was reasonably foreseeable that the "MTV" portion of the logo would look much like the MTV mark Defendants had used since the 1980s on their original cable television station. *Cf. ProFitness*, 314 F.3d at 69. Moreover, Plaintiff's counsel was aware of the actual MTV2 logo Defendants were using when he sent the May 4, 1999 letter stating:

> While we are pleased that defendants have decided to transition away from using M2 and toward using MTV2 (a recommendation that plaintiff made to your clients long before this litigation ensued), we do not believe that we can bring an end to the litigation unless and until defendants compensate M2 Software, Inc. for its damages.

SUF ¶ 9; *see also* Escamilla Decl., ¶ 17.[3] Plaintiff's repeated statements that MTV2 would be an acceptable alternative for Defendants to use implied active consent.

Second, Plaintiff waited until its October 1999 Opposition brief to assert, for the first time, that Defendants' MTV2 logo was unacceptable and continued to infringe upon its trademark. Plaintiff delayed 18 months from the March 1998 cease and desist letter to assert its claim, delayed over six months from the time Defendants began using the MTV2 logo, and delayed five months from the first date the evidence shows that Plaintiff was aware of Defendants' MTV2 logo. Plaintiff offers no excuse for its delay, except to say that it did not know that the new "MTV2" logo would include a dominant "M" and "2," an argument that fails for the reasons explained in the previous paragraph.

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[3] For the reasons discussed in footnote 2, *supra*, it is irrelevant whether Defendants were using MTV2 logo I, II, or III at the time of the May 4, 1999 letter.

Third, the circumstances strongly suggest that Defendants relied on Plaintiff's representations that MTV2 would be an acceptable logo when Defendants changed their mark from M2: Music Television to MTV2. While Defendants do not explicitly argue reliance, it is implicit in the time line of events. Defendants changed their logo to MTV2 in March 1999, within one year of Plaintiff's repeated recommendation that they use MTV2. The change also came just a few months after Plaintiff argued during the hearing on its motion for a preliminary injunction that Defendants should change to MTV2. Moreover, Defendants continued to use the MTV2 logo after receiving Plaintiff's counsel's May 4, 1999 letter commending Defendants' decision to change logos. Thus, Defendants are also entitled to summary adjudication regarding MTV2 on the basis of estoppel by acquiescence.

III. Other Arguments Regarding MTV2

Defendants also argue that they are entitled to summary adjudication regarding their use of MTV2 because it predates Plaintiff's mark through the doctrine of tacking, because the addition of the number "2" to Defendants' MTV mark is merely descriptive, because MTV2 constitutes classic fair use; and because there is no likelihood of confusion between the MTV2 logo and Plaintiff's M2 mark. The Court declines to address these issues since the Court has already found that Defendants are entitled to summary

adjudication on the bases of waiver and estoppel by acquiescence.

IV. Attorneys' Fees

Defendants seek attorneys' fees and costs related to their lengthy defenses against Plaintiff's MTV2 trademark infringement arguments. Defs.' Mot., 15:28-16:17. The Lanham Act gives courts the authority to award reasonable attorneys' fees to the prevailing party in "exceptional circumstances." 15 U.S.C. § 1117(a). Attorneys fees are warranted if "a plaintiff's case is groundless, unreasonable, vexatious, or pursued in bad faith . . . " *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 827 (9th Cir. 1997). Defendants contend that "Plaintiff's argument regarding MTV2 is all of these things." Defs.' Mot., 16:2-3. The Court denies Defendants' request for attorneys' fees because the Lanham Act commits attorneys' fees to the discretion of the court and Plaintiff has not met its burden of showing that this is an "exceptional" case. *See Gracie v. Gracie,* 217 F.3d 1060, 1071 (9th Cir. 2000); *Stephen W. Boney,* 127 F.3d at 827.

CONCLUSION

For the foregoing reasons, the Court hereby GRANTS Defendants' Motion for Summary Adjudication With Respect to the MTV2 Mark and Logo and DENIES Defendants' Motion for an Award of Attorneys'

Fees.[4] In light of this Order and the Court's March 12, 2004 Order, the Court directs Defendants to lodge a proposed consent judgment of permanent injunction consistent with what they had previously proposed and the Court will enter it.

This Order is not intended for publication.

IT IS SO ORDERED.

DATE: August 9, 2004 /s/ A. Howard Matz
A. Howard Matz
United States District Judge

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[4] Docket No. 327.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 98-8734-AHM (Mcx) Date September 28, 2007
Title M2 SOFTWARE, INC. v. VIACOM, INC., et al.

Present: The Honorable A. Howard Matz

Stephen Montes	N/A
Deputy Clerk	Court Report/Recorder Tape No.

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
No Appearance	No Appearance

Proceedings: In Chambers

On June 11, 2007, defendants represented that they would serve a Rule 68 Offer of Judgment and in a separate document filed that day plaintiff intimated that it would accept such a basis for settlement. The docket does not reflect that such an exchange has occurred.

Accordingly, the Court now clarifies that the Permanent Injunction and Final Judgment entered on September 8, 2004 should be deemed to extend to Viacom's future use of the "M2: MUSIC TELEVISION" logo, attached as exhibit 2 to that judgment. Phrased another way, that logo does *not* fall within the scope of paragraph 2 (on page 4) of the Permanent Injunction and Final Judgment.

The above clarification necessarily means that this case may be closed, pursuant to the terms of the September 7, 2004 Permanent Injunction and Final Judgment, which is incorporated herein by reference. That Judgment shall govern the parties' rights and obligations.

Initials of Preparer SM

THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRP, RULE 77(d)

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(3)

No. 07-202

FILED

OCT 31 2007

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SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

VIACOM, INC.; VIACOM INTERNATIONAL, INC.;
MTV NETWORKS COMPANY,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY FOR PETITIONER

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IN THE

Supreme Court of the United States

NO. 07-202

M2 SOFTWARE, INC.,

Petitioner,

v.

VIACOM, INC.; VIACOM INTERNATIONAL, INC.; MTV NETWORKS COMPANY,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY FOR PETITIONER

Respondents urge that the courts of appeals are not divided on when an award of profits is permissible under the Lanham Act. In particular, they claim that, until 1999, the courts of appeals "almost uniformly" held that an award of infringer's profits is impermissible "absent 'willful'" infringement. Br. in Opp. 13. They claim that, after 1999, the courts (with equal uniformity) adopted precisely the opposite view—rejecting the *per se* willfulness requirement—in light of the 1999 amendments to the Act. *Id.* at 17. And respondents urge that this case does not present a recurring issue because it is governed by the pre-1999 version of the Lanham Act.

Each of those contentions is incorrect. The division in court of appeals authority is longstanding and well recognized; respondents simply ignore the conflicting authorities as well as myriad sources expressly recognizing the conflict. Respondents likewise fail to explain

why the 1999 amendments, which made no substantive change to the law, should make a difference. And this case is not governed by the pre-1999 version of the Lanham Act. To the contrary, while respondents claim that all of the relevant conduct terminated "before the 1999 Amendment became effective August 5, 1999," Br. in Opp. 13, the district court specifically rejected that assertion. The petition thus presents a square conflict in circuit authority that warrants this Court's review.

I. The Courts Of Appeals Are Divided On Whether Willfulness Is An Across-The-Board Prerequisite To An Award Of An Infringer's Profits

A. Respondents first argue that the courts of appeals have never been divided on whether a finding of willfulness is a prerequisite to an award of some or all of the infringer's profits traceable to the infringement. According to respondents, until Congress amended the Lanham Act effective August 5, 1999, "the Circuit Courts almost uniformly followed [a] *per se* rule that an accounting for trademark profits cannot be awarded absent 'willful' or 'bad faith' infringement." Br. in Opp. 13-14. Respondents, however, nowhere explain why every single authority to have examined the issue has come to precisely the opposite review. See Pet. 19-20. Commentator after commentator has recognized that, contrary to respondents' claims, "[t]here is an established split in the circuits regarding the type of proof necessary to obtain an accounting of the defendant's profits." D. Long, *Unfair Competition and the Lanham Act* § 7.11.3.3 (1993). "On the key issue of scienter, a clear split has developed among the Circuits * * * ." J. Koelemay, *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark Rep. 263, 263 (1995); see D. Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 864

(2002) ("[N]early five decades of circuit court and district court decisions have resulted in a schizophrenic view * * * ."). As Professor McCarthy explains, by 2005, "a split of authority developed such that while most circuits required some showing of willfulness" others "held that while relevant, willfulness was not essential or indispensable to a recovery of profits." 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:62, at 30-142 to 30-143 (4th ed. 2007); see Pet. 19-20 (additional cites). Respondents do not address those authorities—all cited in the petition—much less identify any to support their opposing view.

The cases likewise belie respondents' claim of harmonious consistency. Respondents correctly note that many courts of appeals (like the Second, Sixth, Eighth, and Tenth Circuits, joined by the Ninth Circuit below) have adopted a *per se* requirement of bad faith. Br. in Opp. 13-14. But myriad courts have long rejected that approach. Thus, while respondents claim that the Fifth Circuit "expressly required willfulness or bad faith as a condition to an award of profits," Br. in Opp. 14, the very Fifth Circuit case they cite disclaims any such requirement: "[T]his Court has *not required a particular factor to be present* * * * ." *Pebble Beach Co.* v. *Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) (emphasis added). To the contrary, *Pebble Beach* explains that district courts must look to a range of "relevant factors," including not just "intent" but also "diverted sales," "adequacy of other remedies," "unreasonable delay by the plaintiff," and "the public interest." *Ibid.*[1]

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[1] Respondents' description of *Pebble Beach* in a parenthetical (Br. in Opp. 15) thus is incorrect. After denying that any particular factor is a prerequisite, and listing "relevant" factors, the court merely concluded that, in light of the relevant factors, the district court had not "abused its discretion" in denying profits "in th[at] case" because willfulness was absent, *no injury* was imposed, *and* injunctive relief

Respondents, moreover, do not attempt to distinguish the Eleventh Circuit's decision in *Burger King Corp.* v. *Mason*, 855 F.2d 779 (1988), cited Pet. 13. That case's holding is clear: "Nor is an award of profits * * * dependent upon a higher showing of culpability on the part of the defendant * * * ." *Id.* at 781; see *id.* at 783 ("[N]o hard and fast rules dictate the form or quantum of relief").[2] And respondents wholly ignore the Seventh Circuit's decision in *Sands, Taylor & Wood* v. *Quaker Oats Co.*, 34 F.3d 1340, 1349 (1994) (*Sands II*), which unambiguously holds that, "[o]ther than general equitable considerations, there is no express requirement that * * * the infringer wilfully infringe * * * to justify an award of profits." Thus, while respondents labor to dismiss *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990), as *dictum*, see Br. in Opp. 15, the petition relies on *Sands II*, not *Roulo*. See Pet. 13-14. Ignoring contrary precedents like *Burger King* and *Sands II* does not make them go away.

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was otherwise *sufficient*. 155 F.3d at 555. Here, no court has found that an injunction, entered after years of infringement and litigation, is sufficient recompense; nor has any court found that respondents were not unjustly enriched by their infringement. To the contrary, respondents appropriated M2 Software's protected mark to promote their product for years on end precisely because it was, in their view, better than the non-infringing alternatives. Pet. 7. In any event, far from supporting a *per se* bad faith prerequisite, *Pebble Beach* rejected that approach, requiring district courts to exercise their discretion in light of a variety of factors.

[2] Although respondents cite Appendix A to *Babbit Electronics, Inc.* v. *Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994), as contrary authority, the district court decision reproduced with approval by the Eleventh Circuit there merely held willfulness was a *sufficient* basis for an award of profits: "Where the defendant's infringement is deliberate and willful, as in this case, an accounting for profits is proper * * * ." *Id.* at 1182. It nowhere suggests (contrary to *Burger King*) that willfulness is a *necessary* condition to an award of profits.

Respondents also decline to engage the merits—and with reason: The approach adopted by the Fifth, Seventh, and Eleventh Circuits is correct. As the petition explains (and respondents do not dispute), the Lanham Act expressly distinguishes among the mental states required for various types of relief. For example, 15 U.S.C. § 1114(1) has long precluded monetary relief for violations of Section 1114(1)(*b*)—but not Section 1114(1)(*a*)—absent proof of "knowledge" that the imitation was "intended to be used to cause confusion, or to cause mistake, or to deceive." Pet. 5, 21-22. More important for present purposes, for more than a decade the Lanham Act provisions addressing dilution, 15 U.S.C. § 1125(c), have specified that no monetary relief for dilution is available unless the defendant "*willfully* intended to trade" on the plaintiff's reputation or "*willfully* intended to harm" the mark's reputation. 15 U.S.C. § 1125(c) (emphasis added); see Pet. 14-15, 20-21. By contrast, Congress included no willfulness requirement for other Lanham Act claims, such as those at issue here. The deliberate inclusion of a willfulness requirement for dilution under Section 1125(c), but not for other claims, speaks volumes about Congress's intent. Simply put, where Congress wanted willfulness to be an absolute prerequisite for certain types of relief, it said so expressly. Pet. 15, 20-21. Respondents again offer no answer—because none exists.

B. Alternatively, respondents urge that review is unwarranted because a 1999 amendment to the Act "appears to have eliminated any alleged conflict among appellate court opinions." Br. in Opp. 17. But respondents do not claim that their view has been confirmed. Instead, respondents assert that the 1999 amendment has caused the courts universally to reject the *per se* willfulness requirement to adopt M2 Software's position that no such requirement exists.

As an initial matter, that claim is difficult to reconcile with the Ninth Circuit's decision below, which rejected the assertion that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement" as resting on a "shaky assumption." Pet. App. 4a. It is also hard to reconcile with myriad cases—cited in the petition (at 18-19 n.10) but ignored by respondents—which continue to apply a *per se* willfulness requirement despite the 1999 amendments.[3] And the rampant confusion continues to this day, with still more cases applying the *per se* willfulness requirement despite respondents' claim of settled uniformity. See, *e.g.*, *Malletier* v. *Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 279-281 (S.D.N.Y. 2007) (holding that, "in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception," and declaring that "the 1999 Amendment" to the Lanham Act "did not alter" or seek to "overturn the weight of authority" on that issue).

Nor do respondents anywhere explain *why* the 1999 amendment to the Lanham Act can be read to change the Act's meaning. As the petition explains (at 24-25), that amendment changed the language of 15 U.S.C. § 1116 (addressing injunctions) and § 1117 (addressing monetary relief) to incorporate the standards for relief *already set forth* for dilution claims under 15 U.S.C. § 1125(c). Given that the 1999 amendment made no substantive changes to the law—and merely repeated in Sec-

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[3] See, *e.g.*, *Collegenet, Inc.* v. *XAP Corp.*, 483 F. Supp. 2d 1058, 1065 (D. Ore. 2007) (plaintiff must establish "willful misconduct" to recover profits); *Cache la Poudre Feeds, LLC* v. *Land O' Lakes, Inc.*, 438 F. Supp. 2d 1288, 1291 (D. Colo. 2006) (Tenth Circuit precedent "require[s] a showing that Defendant['s] actions were willful"); *Blau* v. *YMI Jeanswear, Inc.*, No. CV 02-09551 FMC (SHSx), 2004 WL 5313967, at *6 (C.D. Cal. Jan. 2, 2004) (profits available only when infringement is "willfully calculated").

tions 1116 and 1117 the standards for relief for dilution claims already set forth in Section 1125[4]—it is hard to see how it could be said to have revolutionized the law in this area. See *Malletier*, 500 F. Supp. 2d at 282 (finding the argument that the 1999 amendment to Section 1117 changed anything "not persuasive" because, "at the time of the 1999 Amendment, the language of section 1125(c) explicitly required" proof of "willfulness in order to recover monetary relief on a dilution claim"). Respondents again offer no answer whatsoever.

C. In any event, if respondents were correct that the 1999 amendments clarify that there is no *per se* requirement, that would favor granting the petition (or summary reversal). Although respondents claim that this case must be decided "based upon the case law applying" the Lanham Act "before the 1999 Amendment" because they "voluntarily ended all use of the M2: MUSIC TELEVISION name and logo in March 1999," Br. in Opp. 13, those contentions are factually and legally unfounded.

First, the district court expressly rejected respondents' factual claim that their infringing conduct ended in 1999. See Pet. App. 20a. Seeking to convince the district court that there was "no longer any need for or basis for an injunction" in 2004, respondents made the very same

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[4] Before 1999, Section 1116 did not state that injunctive relief was available for dilution claims under Section 1125(c), even though Section 1125(c) itself provided for that relief. Pet. 24-25. The 1999 amendments conformed Section 1116 to Section 1125(c) by adding Section 1125(c) dilution claims to the list of claims for which injunctive relief is available. *Ibid.* Likewise, in 1994, Section 1117 did not mention monetary relief for dilution claims. But even then Section 1125(c) made it clear that monetary relief was available for claims of willful dilution—and only claims of willful dilution. See Pet. 5 n.2, 24-25. Accordingly, the 1999 amendments merely modified Section 1117 to conform it to the standards for monetary relief already set forth in Section 1125(c). *Ibid.*

argument, urging that they had formally "change[d] the name of their cable channel from 'M2: MUSIC TELEVISION' to 'MTV 2'" in "March of 1999." *Id.* at 19a, 20a. But the district court *rejected* the formal name change as insufficient. *Id.* at 20a. It therefore denied respondents' motion for summary judgment in March of 2004, noting M2 Software's argument "that the infringement [wa]s actually ongoing" as of that date—more than four years after the August 5, 1999 amendment's effective date—and citing the use of the "M2" mark in finance "press releases" and use of that mark to "refer[] to [respondents'] second network" on an NBC special. *Id.* at 20a. Because "a reasonable jury could find that [respondents] infringed M2 Software's trademark," the court held that "any doubts about whether a permanent injunction would be an appropriate remedy should be resolved in [M2 Software's] favor." *Id.* at 20a-21a.[5] When the district court issued an injunction in September of 2004, moreover, the court enjoined respondents' use of the "M2" mark, *id.* at 11a, precisely the ongoing infringement the court and M2 Software identified as ongoing in 2004. Nowhere do respondents contend that the pre-1999 version of the Lanham Act can apply to conduct that extended into 2004.

Perhaps for that reason, respondents attempt to recast the Ninth Circuit's decision as holding that "all of the allegedly infringing acts at issue occurred prior to the

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[5] Even after the amendments, respondents infringed in other ways. For example, respondents used the "M2" trademark as a metatag as late as 2004 to draw consumers to their MTV.COM website. C.A. E.R. 333-4, 50, 51; C.A. E.R. 294-254. Such use of infringing "metatags" is considered ample evidence of infringement. See *Brookfield Commc'ns, Inc.* v. *W. Coast Entm't Corp.*, 174 F.3d 1036, 1065 (9th Cir. 1999) ("We conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark.").

effective date of the 1999 amendment." Br. in Opp. 7-8 (citing Pet. App. 4a-5a). But the Ninth Circuit never said that. The Ninth Circuit's opinion states that "the 1999 amendments * * * do not apply to this suit, which was *filed* in October 1998." Pet. App. 4a (emphasis added). Neither respondents nor the Ninth Circuit explain why the 1999 amendments would be inapplicable simply because the lawsuit was filed before 1999, when the infringing conduct being challenged continued into 2004.

Indeed, the very cases respondents distinguish or otherwise invoke as applying the post-1999 version of the Lanham Act all involve lawsuits filed before the effective date of the amendments. See, *e.g.*, *Banjo Buddies*, 399 F. 3d 168, 172 (3d Cir. 2005) (applying 1999 amendments to lawsuit filed in April 1999, 6 months before the August 5, 1999 effective date); *Quick Techs.*, 313 F.3d 338, 342 (5th Cir. 2002) (applying 1999 amendments to all lawsuits in consolidated action where first lawsuit was filed May 22, 1998). The different results in these otherwise identically situated cases weigh in favor of further review.

Respondents' claim that this Court must resolve this decision "based upon the *case law* applying" the Lanham Act as it existed "before the 1999 Amendment," Br. in Opp. 13 (emphasis added), is likewise unsupported. This Court is hardly bound by the Ninth Circuit's mistaken construction of the Lanham Act. And, for the reasons given above, this case squarely presents the proper construction of the Act in its current form—it challenges conduct that extended well past the 1999 amendments (which did not alter substance in any event).[6]

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[6] Respondents note (Br. in Opp. 16 n.5) that review was denied on a similar issue in *Contessa Premium Foods, Inc.* v. *Berdex Seafood, Inc.*, No. 04-1693, despite amicus support from INTA. But the conduct in *Contessa* all predated the 1999 amendments, and the petition there failed to note that the 1999 amendments made no substantive change to the Lanham Act. In any event, the fact that the judicial

II. Respondents Err In Asserting That The Ninth Circuit Had "Discretion" To Apply A "*Per Se* Rule"

Finally, respondents assert that the Ninth Circuit was "within its discretion to enforce a *per se* rule" here. Br. in Opp. 20, 21. But it is hard to see what role "discretion" has in that argument. Respondents appear to argue that this Court's cases require a *per se* approach. But the cited cases do not support that rule;[7] myriad courts of appeals have held that no such *per se* rule exists, see Pet. 13-16; pp. 3-5, *supra*, and respondents themselves identify a trend away from that requirement, Br. in Opp. 17-19. To the extent respondents thus contend that an increasing number of courts are departing from this Court's precedents, that too weighs in favor of—not against—granting the petition.

* * * * *

For the foregoing reasons and those stated in the petition for a writ of certiorari, the petition should be granted.

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disarray persists two years after *Contessa* weighs strongly in favor of review.

[7] *McLean* v. *Fleming*, 96 U.S. (6 Otto) 245 (1877), denied an award of profits because "[a]cquiescence of long standing" and "inexcusable laches in seeking redress" were "proved." *Id.* at 258. In *dictum*, the case mentions "want of fraudulent intent" as a ground for denying an award of profits, but it nowhere establishes an across-the-board rule. Likewise, *Saxlehner* v. *Siegel-Cooper Co.*, 179 U.S. 42 (1900), found an award of profits unwarranted where the defendant not only acted "in good faith," but "the sales . . . were small." *Id.* at 43. But respondents' infringement here lasted for years, and continued despite repeated notice from and demands by M2 Software. Finally, to the extent respondents rely on *Champion Spark Plug Co.* v. *Sanders*, 331 U.S. 125 (1947), see Br. in Opp. 9, their argument is "simply an incorrect reading of *Champion*." K. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding of Bad Faith*, 87 Trademark Rep. 271, 282 (1997).

Respectfully submitted.

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SUPREME COURT, U.S.

In the Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

VIACOM, INC., VIACOM INTERNATIONAL, INC.,
MTV NETWORKS COMPANY,
Respondents

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITION FOR REHEARING OF A DENIAL OF CERTIORARI

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QUESTION PRESENTED

The Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, provides a variety of remedies for infringement, including injunctive relief, damages and lost profits. It also authorizes courts to award the plaintiff some portion of the infringer's profits attributable to the infringement. The question presented is:

Whether a trademark owner alleging infringement of a registered mark must show willfulness as a precondition to recovering a portion of the infringer's profits attributable to infringement.

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Pursuant to Rule 44, Petitioner M2 Software, Inc. respectfully submits a petition for rehearing of our Petition for Certiorari ("P-Cert.")[1] docketed August 14, 2007 and denied November 26, 2007.

REASONS FOR GRANTING REHEARING

A rehearing of an order denying certiorari is available where either: (i) there are "intervening circumstances of a substantial or controlling effect," or (ii) the petition raises "other substantial grounds not previously presented." R. 44.2. Both are presented here. Substantial grounds not previously presented demonstrate that a GVR procedure is proper to allow the Ninth Circuit to examine the current, clarified statute, 15 U.S.C. § 1117(a), with no retrospective concerns. Respondents have changed their position, and now acknowledge the clarification potential of the 1999 amendment:

> "Congress itself can eliminate a conflict concerning a statutory provision by making a *clarifying amendment* to the statute[.]"

Opp. 17, quoting *Braxton v. U.S.*, 500 U.S. 344, 347-49 (1991) (emphasis added). In addition, on December 18, 2007, the Ninth Circuit addressed the question presented in the trademark case of *K and N Engineering, Inc. v. Bulat*, 06-55115 (9th Cir., Dec. 18, 2007) (R-App. 1r-3r). The *Bulat* court determined it was proper to consider a variety of equitable factors other than a bright-

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[1] *See* P-Cert. ii (Rule 29.6 Corporate Disclosure Statement). Other abbreviations herein: Petition Appendix ("P-App."), Brief in Opposition ("Opp."), Reply of Petitioner ("P-Rep."); Rehearing Appendix (attached hereto) ("R-App.").

line willfulness rule – the sole grounds for dismissal of this case below. The Ninth Circuit affirmed consideration of:

> "* * *a wide range of [equitable] factors, including the defendants' financial situation, their naiveté, their failure to resolve the trademark violation through settlement, and the extent of the infringement."

R-App. 3r. As Petitioner had argued here, *see* P-Cert. 21, 22 n. 11, 23 n.13, the new Ninth Circuit decision does not treat willfulness as a bright-line requirement under § 1114(1)(*a*) and distinguishes the willfulness requirement under the "innocent printer" exceptions of § 1114(1)(*b*) and § 1114(2).[2] The Ninth Circuit's failure to make this distinction in prior precedent has been noted as a plain judicial error from which the Ninth Circuit's willfulness requirement originally evolved. *See* P-Cer. 23 n. 13.

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[2] The *Bulat* case corrects that error in distinguishing "use in commerce" [§ 1114(1)(a)] from mere printing (*see* P-Cert. 22 n.11): "Because [Defendants] sold decals with K&N marks * * * they were not engaged solely in the business of printing the mark or violating matter for others, and thus were neither innocent infringers nor innocent violators capable of raising the innocent printer defense under 15 U.S.C. § 1114(2)(A)." R-App. 3r. (emph. added). The Ninth Circuit decided this issue in a unpublished memorandum on the same date as it decided the remainder of the issues on appeal in a published opinion. *See K and N Engineering, Inc. v. Bulat*,--- F.3d ---, 2007 WL 4394416, *1 n.1 (9th Cir. Dec. 18, 2007). Nonetheless, the unpublished decision can be cited. FRAP Rule 32.1(a).

Finally, another intervening decision demonstrates the fatal flaw in the Ninth Circuit's decision to overlook the possibility that the current statute clarifies, rather than changes, pre-existing law. See *Cartier v. Aaron Faber, Inc.*, 512 F.Supp.2d 165 (S.D.N.Y. Sept. 27, 2007). Rehearing is appropriate to issue a GVR to permit the Ninth Circuit the opportunity to consider 15 U.S.C. § 1117(a), as amended.

I. STATUTORY BACKGROUND

A. The Issue Presented

Under the statute for trademark infringement (15 U.S.C. § 1114(1)(a)) and monetary recovery for trademark infringement (15 U.S.C. § 1117(a)), some Circuit Courts require "willfulness" as a requirement for monetary relief. Other Circuit Courts do not. P-Cert. 12-19.

The controlling case in the Ninth Circuit, *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir.), *cert. denied*, 510 U.S. 815 (1993), *see* P-App. 3a, defines willfulness as "willfully calculated to exploit the advantage of an established mark." *Id.*, quoting *Playboy Enterprises, Inc. v. Baccarat Clothing Co., Inc.*, 692 F2d 1272, 1274 (9th Cir. 1982) (emphasis added). That strict and contested requirement (akin to the original language of a different *dilution* section for *famous* marks)[3] creates a

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[3] *Cf.* 15 U.S.C. § 1125(c)(2) (prior to October 2006 amendment) ("willfully intended to trade on the owner's reputation").

paradox[4] that entirely forecloses relief for many small and growing companies. It ignores other deliberate or bad faith infringement of a registered trademark that, while not "willful" under this definition, is equally destructive of a company's identity. *Sands*, 978 F.2d at 961.

B. The Current 15 U.S.C. § 1117(a), As Amended in 1999, May Clarify the Issue

The "dilution" cause of action under § 1125(c) was created by the Federal Trademark Dilution Act of 1995, amending the Lanham Act. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 420 (2003). "Dilution" arises when a junior user's similar mark dilutes the commercial effectiveness of a *famous* mark even if used in a completely different industry (like "Kodak hamburgers"). *Id.* This contrasts with trademark "infringement" (at issue here) applicable to even non-famous marks, arising when a junior user causes a likelihood of confusion by adopting a confusingly similar or identical mark in the same or related field. 15 U.S.C. § 1114(a).

Since its 1995 inception, the *dilution* subsection, § 1125(c), has always required willfulness for monetary relief. This contrasts with the *infringement* subsection, § 1114(1)(a), which does not specify a willfulness requirement. P-Cert. 5, 15. The damage provision of the Act,

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[4] "In a reverse confusion case, of course, the defendant by definition is *not* palming off or otherwise attempting to create confusion as to the source of his product. Thus, the 'intent' factor * * * is essentially irrelevant * * *." *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 961 (7th Cir. 1992), *cert denied* 113 S Ct 1879 (1993) (emphasis in original).

§ 1117(a), is qualified by the phrase "subject to the principles of equity." In 1995, when the "dilution" provision was added to the Lanham Act, Congress did not add reference to § 1125(c) within § 1117(a).

In 1999, Congress amended § 1117(a) to cross-reference the § 1125(c) dilution subsection added in 1995.[5] P-Cert. 24. In so doing, as a practical matter Congress ultimately juxtaposed – in the same single sentence for the first time – the § 1125(c) dilution requirement of "a willful violation" (a requirement *already* present in § 1125(c)) against the § 1114(a) requirement of "a violation." The text of § 1117(a) now reads:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office [e.g. § 1114(1)(a)] , a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (emphasis added). The intervening *Cartier* court determined that the Second Circuit's interpretation requiring

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[5] The 1999 amendment is the Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219.

willfulness to recover monetary relief is irreconcilable with the text of the statute. The district court in *Cartier* thus discarded the Second Circuit's "willfulness" precedent of *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir.1992) – the analog of the Ninth Circuit's *Lindy Pen* precedent at issue here, P-App. 3a.

Petitioner referenced the test microcosm of the conflict (within district courts in the Second Circuit) in both the petition and reply. P-Cert. 18; P-Rep. 6. The intervening decision demonstrates the clarifying effect of the current statute, not examined below. *Cartier* effectively overruled the *Malletier* decision of April 2007, cited in the reply. P-Rep. 6-7 (*Malletier v. Dooney & Bourke, Inc.*, 500 F.Supp.2d 276 (S.D.N.Y. Apr. 24, 2007)). *Malletier* had found that the Second Circuit's prior precedent remained good law. *Id.*, 500 F.Supp.2d at 280. There, as here (until Respondents changed their position in opposition to certiorari, Opp. 17-19), "the parties vigorously dispute[d] whether, in light of the amendment, *Blue Coral's* willfulness requirement remains good law." *Id.* at 279-80. *Malletier* found that the willfulness requirement was still good law because the 1999 amendment for dilution "did not alter or even address the relevant subsections of the federal trademark *infringement* statute." *Id*, at 280. (emph. added).

What *Malletier* did not consider is that, though it found the pre-existing law remained the same, the Second Circuit's original *interpretation* of that law may have been incorrect. The original interpretation in the Ninth Circuit, for example, appears to have

evolved from a plain judicial error in the mid-1990's misreading standards of adjoining sections.[6]

C. The Ninth Circuit Requires An Opportunity to Examine the Clarifying Effect of the Statute

Petitioner had argued (as Respondents now do, Opp. 17) that the 1999 amendment clarified the statute. P-App. 4a ("M2 Software argues that the 1999 amendments to the Lanham Act "*make clear*" that there is no willfulness requirement") (emphasis added). The Ninth Circuit, like *Malletier*, did not consider this clarifying effect:

> Whatever the effects of the 1999 amendments may be, they do not apply to this suit, which was filed in October 1998. Even on the shaky assumption that the 1999 amendments did *expand* the remedies available for violations of § 1114 by negating the willfulness requirement, these *expansions* would not be retroactive.

P-App. at 4a-5a (emph. added). By addressing whether it could consider a *change* in law without considering the potential of a clarification, the Ninth Circuit committed the

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[6] "In citing to [*Lindy Pen*] * * * the Ninth Circuit started in 1995 to offend its own precedents * * * by misreading the standards set for trademark infringement actions under § 1114(1)(a), which do not make willful infringement a prerequisite * * *." Conway-Jones, D. *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 898 (2002).

same error of *Malletier*, now effectively overruled by *Cartier*. [1]

The Ninth Circuit instead posed what it characterized as a "shaky" assumption that the law had changed, finding retroactivity concerns. P-App. 4a-5a. That "assumption" is either true or false. If false, as the "shaky" qualifier suggests, with no new law there can be no retroactivity concerns. The Ninth Circuit should be allowed to consider whether the statute, as amended, clarifies pre-existing law.

The Ninth Circuit "[has] long recognized that clarifying legislation is not subject to any presumption against retroactivity and is applied to all cases pending as of the date of its enactment[.]" *ABKCO Music, Inc. v. LaVere*, 217 F.3d 684, 691 (9th Cir. 2000). While a new inference may supersede the *interpretation* of a Circuit, it does not supersede the pre-existing *law* (that here, other Circuits *already* interpreted not to require willfulness). P-Cert. 13. By failing to examine the current statute for its clarifying effect, the Ninth Circuit failed to "apply the law in effect at the time it renders its decision." *Bradley v. Richmond School Bd.*, 416 U.S. 696,

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[1] The Ninth Circuit thus accepted Respondents' "change of law" answer to the "clarification" question, detouring into the logic error of *ignoratio elenchi*. *See U.S. v. Jannotti*, 673 F.2d 578, 622 (3d Cir. 1982) (Aldisert, J., dissenting) ("[i]nstead of proving point A * * *, argument proves unrelated point B * * *").

714 (1974).[8] This failure extended even to prospective application. P-Rep. 7-8.

The Ninth Circuit must be given the same opportunity as *Cartier* and the Ninth Circuit's peer Courts of Appeal to consider the clarifying effect of the current statute. Even if the Ninth Circuit finds that retroactivity concerns would prevent application, it must at minimum be allowed to consider the statute for any clarifying effects. This Court should grant rehearing so that it may invoke GVR to grant, vacate, and remand to the Ninth Circuit for consideration of 15 U.S.C. § 1117(a), as amended.

II. A GVR WILL ALLOW THE NINTH CIRCUIT TO CONSIDER THE CURRENT STATUTE, 15 U.S.C. § 1117(a), AS AMENDED

The GVR mechanism allows this Court to grant certiorari, vacate the decision below, and remand to a Court of Appeals for consideration of a recent legal development it did not consider. The procedural option "conserves the scarce resources of [the] Court" while promoting effective judicial resolution. *Lawrence v. Chater*, 516 U.S. 163, 167 (1996). GVR is appropriate where there have been "intervening developments, or recent developments [the Court has] reason to believe the court below did not

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[8] In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), this Court referenced other sections of the 1999 amendment for a case "filed years before the Amendment was enacted." *Thomas & Betts Corp. v. Panduit Corp.* 108 F.Supp.2d 976, 991 (N.D.Ill. 2000). Two of the Courts of Appeal that have addressed the issue also did so in cases filed before the 1999 amendment. *Infra*, n. 9, 10.

fully consider [that] reveal a reasonable probability that the decision below rests on a premise that the lower court would reject if given the opportunity for further consideration." *Lawrence*, 516 U.S. at 167 (emphasis added). This Court has GVR'd in light of "new federal statutes," *Id.*, citing, *e.g.*, *Sioux Tribe of Indians v. United States*, 329 U.S. 685 (1946), in light of "administrative reinterpretations of federal statutes," 516 U.S. at 167, citing, *e.g.*, *Schmidt v. Espy*, 513 U.S. 801 (1994), and in light of "new state statutes." 516 U.S. at 167, citing, *e.g.*, *Louisiana v. Hays*, 512 U.S. 1230 (1994). The Lanham Act, as amended, has a sufficiently substantial impact on the national issue to warrant a remand for consideration.

GVR is proper where the previously-enacted statute not examined is central to the case. *See Youngblood v. West Virginia,* 126 S.Ct. 2188 (2006) (GVR where dissent noted *Brady* violation, but majority did not examine). While most GVR decisions arise from an intervening decision or statute, the underlying authority giving rise to the GVR procedure, 28 U.S.C. § 2106, does not impose a temporal limitation on an applicable statute deserving consideration. *Id.* (Court "may remand the cause * * * or require such further proceedings to be had as may be just under the circumstances.") The particular layout of this case calls for GVR here:

First, the practical application of the 1999 amendment is a recent development. Only one Court of Appeals, the Fifth Circuit, had considered the amendment when opening briefs were prepared for the Ninth Circuit, and the

Fifth Circuit only reaffirmed its prior interpretation.[9] Since that time, the Third and Fourth Circuits have weighed in, considering the amendment as a clarification of pre-existing law to adopt new intra-circuit rules rejecting a willfulness requirement.[10]

Second, the issue presented is recurring and the subject of a long-standing Circuit split. P-Cert. 12-20. Despite the relative rarity of trademark cases proceeding through an entire appeal, including the present case there have been three petitions for certiorari from the Ninth Circuit since 2005 on the issue of whether willful trademark infringement is necessary for monetary relief.[11] The GVR procedure is designed in part to aid the Court by "procuring the benefit of the lower court's insight before we rule on the merits..." *Lawrence*, 516 U.S. at 167. Similarly, this Court can benefit from the Ninth

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[9] *Quick Technologies v. Sage Group*, 313 F. 3d 338, 348-49 (5th Cir. 2002) (lawsuits filed May 22, 1998 and April 22 1999, rejecting *per se* willfulness "[i]n accordance with our previous decisions, and in light of the plain language of § 1117(a)").

[10] *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. Feb. 22, 2005) involved an action first instituted April 1999 [*Id.* at 172], decided (but not available on databases) two days prior to the appellant's brief. *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162 (4th Cir. Nov. 30, 2006) was not yet decided when the Ninth Circuit heard oral argument on October 16, 2006.

[11] *Contessa Food Products Inc. v. Lockpur Fish Processing Co. Ltd.*, 123 Fed. Appx. 747 (9th Cir. 2005), cert. denied, 126 S. Ct. 472 (2005); *Blau v. YMI Jeanswear, Inc.*, 129 Fed. Appx. 385 (9th Cir. 2005), cert. denied, 126 S. Ct. 660 (2005).

Circuit's insight on the issue before it rules on the merits.

Third, to the extent that Congress clarified pre-existing law, the GVR procedure "conserves the scarce resources of this Court" while effectively allowing the current law to apply as broadly as possible to pending cases. *Lawrence*, 516 at 167, citing *Griffith v. Kentucky*, 479 U.S. 314, 323 (1987) ("[W]e fulfill our judicial responsibility by instructing the lower courts to apply the new rule retroactively to cases not yet final").

Finally, Respondents have changed their position, and now concede that courts now find the Lanham Act does ***not*** intend a *per se* willfulness requirement for monetary relief – the very premise of dismissal of this case below. *See e.g., Cartier*, 512 F.Supp.2d at 172. *See* Opp. 17, 18, 19 n.6. P-App. 3a. Thus, there is a "reasonable probability that the decision below rests on a premise that the lower court would reject if given the opportunity for further consideration." *Lawrence*, 516 U.S. at 166.

A GVR will aid in the resolution of a long-standing Circuit split. It allows the Court to ask the Ninth Circuit, without the finding of any error, to consider the current statute to determine what, if any, clarifying effects are presented. In the event the Ninth Circuit adheres to prior precedent after completing such examination, the Court will have before it a more fully defined issue should that issue be presented for certiorari.

CONCLUSION

This Court should grant rehearing to invoke GVR to grant, vacate, and remand to the Ninth Circuit for consideration of the current statute, 15 U.S.C. § 1117(a), as amended, and all intervening decisions.

Respectfully submitted,

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December 2007

CERTIFICATION OF COUNSEL (RULE 44)

I certify that the Petition for Rehearing of a Denial of Certiorari is restricted to the grounds specified in Supreme Court Rule 44.2 and is presented in good faith and not for delay.

December 2007

_____

Mark L. Pettinari
Counsel for Petitioner

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 06-55115
D.C. No. CV-98-08734-AHM

K AND N ENGINEERING, INC., a California corporation,
Plaintiff – Appellee,

v.

SARAH BULAT, individually, d/b/a Incline Design, a/k/a Incdesign; et al,
Defendants - Appellants

Appeal from the United States District Court
for the Central District of California
A. Howard Matz, District Judge, Presiding

ARGUED AND SUBMITTED SEPTEMBER 24, 2007, PASADENA, CALIFORNIA
FILED DECEMBER 18, 2007

MEMORANDUM*

Before: T.G. NELSON, IKUTA, and N.R. SMITH, Circuit Judges.

* This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.

The district court granted K&N's motion for summary judgment on trademark infringement under 15 U.S.C §§ 1114(1) and 1125(a), trademark counterfeiting under § 1114(1)(a), trademark dilution under § 1125(c), and related state law statutory and common law causes of action. Pursuant to 15 U.S.C. §§ 1116 and 1117(c), the district court awarded $20,000 in statutory damages and injunctive relief.[1] We affirm.

Based on our de novo review, the evidence is clear that Bulat and Wandel's intentional use of the K&N mark was likely to cause confusion among consumers and post-purchase observers of the counterfeit goods. 15 U.S.C. § I 114(1)(a); *AuTomotive Gold v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1075-76 (9th Cir. 2006). The evidence introduced by Bulat and Wandel that their decals differed in size and color from K&N's decals, and that one consumer was not confused as to the source of the decals, is insufficient to raise a material issue of disputed fact regarding likelihood of confusion. Because the K&N mark does not serve an aesthetic purpose wholly independent from its function of identifying K&N, Bulat and Wandel's aesthetic functionality defense fails. *AuTomotive Gold*, 457 F.3d at 1073. Bulat and Wandel's nominative fair use defense fails because they used more of K&N's mark than was necessary to describe their own product or service. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 & n.7 (9th Cir. 1992). K&N's trademark rights do not depend on whether or not it has copyright protection for the same marks. *Polar Bear Prods. v. Timex Corp.*, 384 F.3d 700, 721 (9th Cir. 2004). Therefore,

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[1]In a published opinion filed this date, we reverse the district court's award of attorney's fees under 15 U.S.C. § 1117(b).

we affirm the district court's grant of summary judgment.

In light of the district court's broad discretion to award statutory damages under 15 U.S.C. § 1117(c)(1), the district court did not abuse its discretion in awarding statutory damages of $20,000. *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 712 (9th Cir. 1999). Nor did the district court abuse its discretion in considering a wide range of factors, including the defendants' financial situation, their naivete, their failure to resolve the trademark violations through settlement, and the extent of the infringement, in setting the statutory damage award. Because Bulat and Wandel advertised and sold decals with K&N marks (rather than advertising and selling printing services), they were not engaged solely in the business of printing the mark or violating matter for others, and thus were neither innocent infringers nor innocent violators capable of raising the innocent printer defense under 15 U.S.C. § 1114(2)(A).

Affirmed.